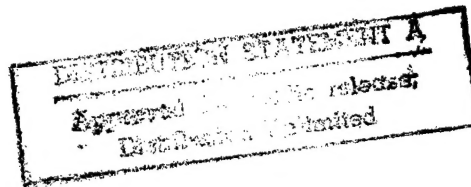


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6 October 1982

CHINA REPORT

ECONOMIC AFFAIRS

No. 271

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NATIONAL POLICY AND ISSUES

SCIENTIFIC, TECHNICAL CONSULTING WORK IN ECONOMIC CONSTRUCTION

Beijing RENMIN RIBAO in Chinese 22 Jul 82 p 3

[Article by Yang Jike [2799 4764 3784]: "Important Significance of Scientific and Technical Consulting Work in Economic Construction"]

[Text] After 3 months, the exposition on the most feasible plan for the development of the Lianghui coalfield, in terms of arrangement, scale, supporting facilities, sequence, and rate, has recently and satisfactorily been completed. Entrusted by Minister Gao Yangwen [7599 2254 2429] of the Ministry of Coal Industry and organized by the China Science Association [Zhong Guo Kexie], the exposition was conducted by specialist groups composed of more than 20 specialists from 7 academic institutes [xuehui] and lead by Professor Hua Luogeng [5478 5012 1649], along with over 40 specialists from Anhui Province and the Anhui Coal Industry Company. The development plan presented by the specialists not only meets our national conditions and is economically feasible but also provides a scientific basis as well as reliable technical and economic materials for the state's "six five" plan and for speeding up the energy resources construction of east China. When the specialist groups reported the results of their exposition to the Coal Industry Ministry in Beijing on 8 July the meeting was personally attended by Comrade Zhang Jingfu [1728 0513 1133], Standing Committee member of the State Council, in addition to Minister Gao Yangwen and responsible comrades from various committees and departments. These specialists were deeply moved by the attention that leading comrades of the central government gave to the technical and economic exposition of an important state construction project.

The work of this exposition being completed, above and beyond its implications for economic benefits and scientific management, it will also have an effect in many other areas.

In just what areas will this effect be seen? For this, I wish briefly to present my humble opinions for evaluation and discussion by comrades engaged in scientific and technical work.

1. Scientific and technical workers enthusiastically respond to the call of the party: to enter deeply into actual production; to work with the attitude of a master are tasks well worth doing.

When receiving the academic members of the Chinese Academy of Science last year, Comrade Hu Yaobang called on the scientific and technical sector "to seek tasks in actual production and to work with the attitude of a master." At this time, responding to the call of the party, Professor Hua Luogeng, leading the specialist groups, deeply entered the frontline of production. They traveled to the work site of the Huinan Coal Mine where a large 9-meter diameter drill is used for the drilling of a 600-meter deep shaft. Together with various levels of engineering and technical personnel and workers, they made careful and detailed investigations of every large and small step of mine construction and then used unified planning methods to study repeatedly study the planned construction of 23 pairs of mine shafts. Finally, they made analysis and comparison of all possible construction plans and chose the most feasible economically rational plan. After achieving results through this intense work, the specialists all feel deeply that there are many problems in production the solutions of which require the intelligence and technical capabilities of scientific and technical personnel. And when these problems are solved, there is a feeling of extreme joy in the hearts of the specialists. As Comrade Hua Luogeng said with extreme emotion: "If production can grow by an inch, why should we be concerned with old age and illness in our late years." The happiness in their willingness to exert all their strength for the four modernizations construction of the fatherland spills out in their words. Because of the trust and reliance the party places on the large educational element, the scientific and technical personnel have the feeling of endless happiness when they can add a brick and a tile to the construction of their fatherland and be the masters of their work. This explains the welcome feeling the many scientific and technical personnel display for the trust, care, and ardent expectations the party Central Committee has placed on the scientific and technical sector. It also shows that as long as the scientific and technical personnel strive diligently to achieve results for national economic construction they will receive a high degree of admiration and vigorous support by the party and the people. The transformation of scientific and technical brain power into productive forces in scientific and technical consulting work undoubtedly creates an important catalytic effect.

However, because of the interference and destruction by the "gang of four," many people did not have an adequate understanding that science and technology could be transformed into a gigantic productive force. And because of the lack of proper reward and propaganda policies, there still exists the unhealthy habit formed over a long period of time in the science and technology sector of emphasizing theory and making light of application and technology; emphasizing abstract essays and making light of productive practices, emphasizing foreign literature and making light of investigation of national conditions; and emphasizing elegance, stylishness, and making light of quantity, speed, good quality, and savings. This caused the spawning all over the place at one time of the phenomena of theory departing from practice, technology departing from economics, and policies departing from national conditions and, in turn, the national economic development has suffered great losses. Recognizing this, the central government established the policy that neither theory nor practice should

be emphasized at the expense of the other, and that focus should be on the coordinated scientific, technologic, economic, and social developments. An urgent call was made particularly to the young and middle-aged science and technology personnel to transfer their scientific research and teaching work to coincide with the needs of national economic development. The recent exposition work shows that the policy of the central government is a correct one. It also shows that this source and nourishment are inexhaustible in production practices, fully adequate for anyone who aspires to devote his life to this. We, the science and technology workers, should respond positively to the call of the party and, with master's attitude like Comrade Hua Luogeng, find tasks to do in production practices and vigorously establish a new habit of vitalizing China and contributing our own strength in the science and technology sector.

2. Scientific and technical consulting is the most important form of intensive tapping of potential.

Premier Zhao Ziyang has promoted the development of scientific and technical consulting work. The exposition and consulting work for the development of the Lianghui coalfield, organized by the China Science Association and conducted by the specialist groups, was the second go-around for this project. When the first exposition was completed in 1980, Comrade Zhao Ziyang pointed out: "Scientific and technical consulting service work is very important. It is a way for the scientific and technical departments to travel the road of socialization." Thereafter, it has been widely implemented on a nationwide basis with notable economic results. Many rural areas and plant enterprises have raised production and improved quality, turned deficit into surpluses, avoided moving ahead blindly, and increased the rate of progress. As a result, the guiding principle of first relying on policy and second relying on science is now both concrete and rich in content. Speaking of the exposition on the development of the Lianghui coalfield, the coal resources involved amounts to tens of billions of tons. The scale of production reaches several billion yuan and the construction period is 15 years. As a result of the unified planning and comprehensive arrangement, construction time can be reduced from that originally planned by 2 to 2½ years. For the east China region where the gap between the supply and demand of coal is becoming larger and larger, the chain effect of economic benefits will reach tens of billions of yuan. Yet, the Ministry of Coal Industry handed the China Science Association only a meager few tens of thousands of yuan and the matter was completed.

It is only necessary to look back to the many large projects in the past which were hurriedly implemented without in-depth and detailed cross-discipline technical and economic consultation and to the gigantic losses resulting from mistakes in arrangement, scale, time sequence and coordination between departments and the local area to realize the importance of scientific and technical consulting work.

It is indeed intensive tapping of potentials that costs the least amount of money but produces the largest results. The specialists believe that

consulting work is useful in carrying out the work of intensive tapping of potentials in plant enterprises already constructed. However, it is more important to carry out technical and economic consulting exposition on arrangement, scale, time sequence, and the linking of strips and blocks for construction projects before they are started. It was not surprising that after hearing the report of the specialist groups Minister Gao Yangwen told the reporters: "We have learned many things from this exposition of the plan. From now on, the technical and economic exposition of various plans should also be carried out in the construction of the Shanxi and the northeast coal mines." He also said: "Planning and decisions should be made on the foundation of science." Scientific and technical consulting has become a necessity for economic decisions in the Ministry of Coal Industry. Comrade Pei Lisheng [5952 7787 3932], the party group secretary of the China Science Association, said: "This shows that the leading cadres have taken a very big step changing from leadership by experience to scientific leadership." In actual fact, not only does the Ministry of Coal Industry have this need but other departments similarly also have this need, such as power, light and textile, chemical, petroleum, iron and steel, machinery, communications, and transportation. If various levels of government departments will entrust to specialists the conducting of similar in-depth and detailed technical and economic consulting exposition work before making final decisions, as Comrade Gao Yangwen does, our four modernizations work will definitely achieve greater quantity, speed, good, and savings.

3. The advantages of placing consulting work among the people are numerous.

The seven academic institutes and research institutes which participated in the consulting exposition work are all scientific and technical organizations of the people. The advantage is that they are all relatively detached and are not restricted by partial ideology of departments or local areas. As a result, the vast majority of them were able to liberate their thoughts and express their individual opinions scientifically and objectively, speak freely, and achieve a big advantage through the collection of thoughts, all from the standpoint of achieving the greatest benefit for the state and the people. They produced a concrete result for the decisionmaking leading comrades of "listen to both sides and you will be enlightened." According to reports, some committees and departments did establish specialist consultant groups but the results were not good. For instance, the former National Energy Resources Committee also established a specialist consultant group, inviting many old specialists, but there were no reports of any achievements. I believe that one of the reasons is that under the leading ideology established by the leadership these specialists did not have much maneuverability room in dealing with the technical and economic problems. They could not speak freely. There was the phenomenon of a large concentration of subjectivity and little academic democracy. As a result, there were many consultants who sat there and made promises and few doers, and it was difficult for them to transform their intelligence into productive forces. The second reason is that the substance of the management methods used was the use of the iron bowl and large pot of rice. There was no difference as to whether one did anything or not. Thus, there

were many titulars and few real doers. An important reason that the exposition for the development of the Lianghui coalfield took only 3 months and produced excellent results was the adoption of the contract responsibility system. A contract was signed between the Ministry of Coal Industry and the exposition service department of the China Science Association. Tasks, funding, and time were specified in the contract. As a result, the tasks were completed with assured quality and quantity 3 months ahead of the originally specified time of 6 months. This shows that placing consulting work with the people has its intrinsic superiority. We can see that the contract responsibility system implemented for various businesses in the rural areas with great effectiveness is similarly also effective in scientific and technical consulting work. Incidentally, the specialist groups led by professor Hua were made up mostly of young and middle-aged specialists. When they first arrived, people were politely doubtful of their ability but nevertheless tolerated them. However, their high level of knowledge, outstanding results, and hard work day and night finally filled the people with admiration, from the minister down to the workers, and gained their very high praise.

Also, we know that in the internal consulting work within the various departments there is still the weakness of leaning toward a single specialization. This weakness is more serious in the large construction projects. Considering coalfield development, exposition on development alone is not enough. For instance, the key problem in the development of the Shanxi and Neimeng coal resources is not development but transportation. Taking the construction of iron and steel bases as an example, not considering the entire problem of coal, transportation, and power would not work either. It is therefore necessary to conduct a comprehensive type of united exposition across discipline lines in order to develop the best plan for unified and complete-set construction among various departments. This is only possible under conditions such as the gathering in one hall of cross-discipline specialists organized by the China Science Association. Consequently, scientific and technical consulting service work among the people and comprehensive development and utilization of intelligence resources cost very little but the advantages are numerous.

4. Technical and economic exposition involves the problem of reform of the economic system.

In the detailed work conducted this time on how to reduce the coal mine construction period, unified planning and calculations were carried out on new mine construction on the basis of summarization and analysis of past experiences and based on design documents, related stipulations, and actual rates. A workable plan was produced for reducing the construction time of large mines to $5\frac{1}{2}$ to 6 years, and for specially large mines to 7 to 8 years. However, these rates are computed on the basis of the actual average monthly advance of 69 meters in rock roadways in the past 11 years, and definite potential still remains. All the people believe that this potential can be tapped and mine construction period further reduced if reform of the economic system is properly carried out and the contract

responsibility system is adopted based on the principle of distribution according to labor and greater reward for greater labor.

Expanding microeconomics to macroeconomics and after investigations and studies, the comrades of east China regional committee of the Chinese Energy Resources Research Committee, who participated in the consulting work, have further presented their suggestions for the reform of the east China energy resource economic system. They believe that the existing energy resource economic system basically carries out a set of systems of highly centralized management by controlling departments of the state and without unification of authorities, responsibilities, and benefits. This type of system is not beneficial for mobilizing the positiveness of energy resource producers (including the producing area, enterprise, and laborer). It impedes the accelerated development and utilization of energy resources. In order to satisfy the needs of economic development, system reform is imperative under the circumstances. The core problem in reform is how correctly to treat the economic benefit relationship between the central government, local area, enterprise, and worker under the prerequisite of persisting with the practice of the planned economy and based on the principle that authority, responsibility, and benefit must be united. Reform must be carried out on the basis of giving the energy resources producing areas and the producers the necessary authorities, responsibilities, and benefits. The specialists suggest: Using the energy resources development of the east China region as talking point, the region will complete the basic construction, production, and unified distribution tasks planned by the state for energy resources production based on distribution of existing funds and production. However, the region may organize manpower, funds, and materials itself outside the state plan and, subject to the approval of the state, establish other locations for the development of coal mines. The funds for development may be arranged and collected by various methods. For instance, this may be joint funding and joint development by the state and the producing region and products may be divided in proportion to the investment shares. Or, the producing region establishes the required investment shares and calls for bids and implements joint development on an inter-province basis. And the products again may be divided according to investment shares. Or, a multiple-enterprise industrial combine may be organized with the producing region as the primary participant (such as coal united with chemical, power, coal gas, and construction materials) to carry out comprehensive development and multiple undertakings on various energy resources. Or, foreign funds may be attracted [with returns for the investment provided] through compensatory trade. In this way, multiple and flexible ways of raising funds, gathering funds, and using funds are adopted. Fair and rational distribution methods are adopted for profits and products. For instance, the Chinese Financial and Accounting Consulting Company may be invited as consultants to make fair computations of distribution so that there will be a "joint enjoyment of glory and even sharing of benefits" between the central government and the local area and between the enterprise and the worker. Thus, the four positivenesses and efforts will cooperatively move forward with one heart toward the same target. The four modernizations construction and the vitalization of China will depend on it.

5974

CSO: 4006/565

ECONOMIC PLANNING

PRIMARY STATUS OF PLANNED ECONOMY IN AGRICULTURE DISCUSSED

Beijing GUANGMING RIBAO in Chinese 12 Jun 82 p 3

[Article by Liu Zhongyi [0491 0022 0001]: "Agricultural Economy and Agricultural Planning"]

[Text] Agricultural economy is an important part of the whole nation's economy, which must rely on planned economy as its mainstay, with market regulation as a supplementary measure. Why should agriculture practice planned economy first? How can we do a good job of agricultural planning? I wish to offer my views.

I. The Characteristics of China's Agricultural Economy

The characteristics of our agricultural economy may be studied from different angles and in various aspects. Here, my discussion is mainly linked with the planned management of agricultural economy.

1. Our agriculture has established the economic structure of socialist public ownership. In 1980 the total output value of agriculture consisted of 3.8 percent from state enterprises owned by all the people, 77.2 percent from production teams of collective ownership, and only 19 percent from the production of commune members' individual households and other undertakings. This is the economic basis on which our agriculture can persist in taking planning as the main factor.

At present, a production responsibility system in various forms has been widely introduced in rural areas throughout the country, including "fixing farm output quotas for each household" and "making each household responsible for a task until it is completed." However, this does not mean that agriculture needs no planning or that agricultural planning is useless, because, whichever responsibility system is in force, we must always persist in the road of socialist agricultural collectivization and the system of public ownership of all basic means of production, including land, agricultural construction projects and large agricultural machinery. The peasantry is still a collectivized peasantry, and the rural communes and production teams are still playing their role of organization and leadership in the collective economy. Only the methods of management and administration have changed. Of course, this change also calls for suitable forms of management to be adopted by agricultural planning.

2. Our agriculture consists of a large proportion of self-supporting production, and only a small proportion of commodity production. We have a population of 1 billion, but 800 million people live in the rural areas. In 1980, 86.3 percent of the grain output was consumed locally in the rural areas, and 72 percent of the pork was also consumed in the rural areas. Products such as cotton, hemp, silk and tea require industrial processing and show a fairly high commodity ratio; however, a very great portion of the finished goods is still consumed in the rural areas. In other words, although the total output of our staple farm products is very great, the margin of adjustment in the flow of goods between the city and the countryside is very small. Only by making overall plans and arrangements with careful calculations can we carry on. This is a very important reason why in our agriculture we must uphold and strengthen planned management.

3. At present, among our national economic sectors, agriculture remains relatively less developed. Its technical equipment is outdated, labor productivity is low, labor intensity is high, and economic income is inadequate. If regulation were spontaneous according to the "social average rate of profit," nobody would make investments in China's rural areas, and large numbers of peasants would go into other lines of trade. Then, not only would China's economy suffer lopsided development, but it would also be difficult to maintain social stability. The only way out is for the state, on the basis of accepting this reality, to adopt various positive measures of readjustment to solve the problem step by step. To accomplish this task, it is also necessary to make arrangements to give guidance through planning.

4. Our agriculture is still largely affected by natural disasters. In the past more than 30 years, on average every year 431 million mu of farmland suffered flooding, drought, wind, hail and insect pests, of which 166 million mu was stricken by disaster. Only by state unified planning can we make timely and rational adjustments between areas of good and poor harvest with surplus and shortage of grain in order to insure the basic needs of the people throughout the country.

5. Our agriculture is highly seasonal and scattered. Moreover, with a great many varieties of farm products and poor transportation, if there are no general overall arrangements for the distribution of production, and each goes his own way, it is very easy to do things blindly. Once production lags behind necessity and supply cannot meet demand, the people's living and social stability will be affected. On the other hand, when supply exceeds demand, social wealth will incur loss and damage due to our outdated means of storage and processing. Furthermore, as the cycle of agricultural production is fairly long, it is very difficult to make prompt adjustments when things go wrong. Therefore, it is particularly important to make proper arrangements beforehand.

These characteristics of agriculture explain the necessity of carrying out planned economy in agriculture. At the same time, we find that these characteristics of agriculture also contribute to difficulties in carrying out a planned economy. It is our long-term task to find ways of overcoming these difficulties and to do a good job of agricultural planning in order to insure

that our agriculture will never again suffer serious setbacks, but will develop steadily and forge ahead gradually toward the goal of modernization.

II. The Tasks of Agricultural Planning

I would enumerate the four general tasks of agricultural planning as follows: the first task is to promote agricultural development and safeguard the necessities of our national economy and people's livelihood, which include those of the people's living and consumption, those of the light and textile industries, the food industry and all industries with farm produce as their raw material, and those of foreign trade. The second task is to acquire social accumulation from agriculture, which includes that to be used for the expansion of reproduction in agriculture itself, and that to be used for national economy and social development. The third task is to solve a great many problems of social employment. The fourth task is to rationally exploit natural resources and form a system of good ecological environment. It will be less difficult to accomplish any one of the four tasks than to accomplish all four tasks at the same time. However, they are mutually related and interdependent. It won't do to undertake only one of the tasks. Even if any one of them is accomplished, it will not last long. Often, the solution of one problem will be followed immediately by others. We have learned many such lessons in the past.

In accordance with these four basic tasks, agricultural planning must deal appropriately with the following problems:

1. Achieve the rational distribution of agriculture throughout the country. The main thing is to arrange properly the proportionate relations among farming, forestry, animal husbandry, sideline production and fishery, the proportionate relations between grain and various economic crops in planting, and the relations among the localities in development. The distribution of agriculture should not only conform to the characteristics of various natural regions but also basically meet the requirements of society in all respects.
2. Give consideration to the interests of the state, the locality, the collective and the individual. Only by solving this difficult problem properly can we make the agricultural macroeconomy rational and the microeconomy effective, arouse maximum enthusiasm in all quarters, and gain the best economic results.
3. Strive to bring about a lengthy situation of general stability with a certain yearly growth. The agricultural economy has great impact on the national economy. Especially under the present circumstance with a poor foundation to start with, we cannot withstand any serious trouble, and we must do things very carefully. Any impatient, rash or reckless action will lead to economic instability and affect the whole situation. Agriculture bears the responsibility of social supply, which is increasing in importance year by year. It must increase its output to a certain extent in order to meet the requirements of the growth of population and the improvement of people's livelihood. It is not permissible to mark time and make no progress. We

may say that agriculture is carrying a heavy burden while trying to make its own advancement.

4. Put agriculture in a correct relationship to the light and heavy industries, and achieve close coordination and comprehensive balance between agriculture and all related fields of the national economy. The necessity and superiority of agriculture making planned economy its principal policy are mainly manifested in this respect. Agriculture constitutes a very great proportion in our national economy; it occupies a decisive position in the comprehensive balance of the national economy. At the same time, our agriculture is the least advanced economic sector, and needs the energetic support and coordination of all other sectors. With the development of agricultural technology and the increase of the proportion of commodity production, the interdependence between agricultural development on the one side, and industry, communications, finance and trade on the other, becomes increasingly close. We may say that the development of our national economy is decided by the conditions of our agriculture, and the solution of many problems of agricultural development depends on the coordination and support of our national economy in all fields.

This task of comprehensive balance is a problem of the whole economy, which cannot be solved by the sector of agricultural planning alone. However, as a worker in agricultural economic planning, I must study this problem and put it forward.

III. Carrying Out Agricultural Planning By All Means

In spite of the fact that our agriculture is scattered, backward and unstable, we believe that the necessary conditions exist for agriculture to take planned economy as the main factor and market regulation as a secondary factor. In addition to the basic condition of socialist public ownership, the state also has the following powerful means:

1. The lifelines of the national economy are held by the state, not by private parties. Most of the funds and materials for agricultural development and the means of processing, transporting and marketing farm produce can be regulated flexibly under overall state planning and arrangement.
2. All economic levers, and especially pricing, revenue and bank interest rates, are held by the state.
3. The state power has authority for economic legislation and administration, can issue decrees, rules and regulations, can enforce orders and prohibitions, and can command the whole country.
4. Political and ideological work is a powerful weapon which our party uses to unite with and educate the broad masses of people. We cannot discard this effective means in undertaking economic work.

The current problem is how the economic planning sector can comprehensively and appropriately coordinate all the factors in perfect harmony and put them

to use. This is a complex problem. For many years, we did poorly in agricultural planning, and it got us down again and again. The question is not that there was no ground for agriculture to practice planned management, but that in dealing with some important issues we were confused in theory and injudicious in practice. We did not properly use the means of guidance and regulation, and went so far as to contradict each other. As of the present, some problems need further serious discussion.

For instance, how can we distinguish between planned economy and market regulation? Perhaps, it should be understood that when we talk about taking planned economy as the main factor, we refer to our socialist economy as a whole and its essence, so that the overall management will be directed by planned economy; when we talk about taking market regulation as a secondary means, we mean that fairly adequate flexibility and freedom will be allowed in certain parts and at certain links of the course of social economic activities. That is to say: there is perfect freedom as to what to produce, how much to produce, where raw and other materials come from, whom to sell to and at what price. However, there are some restrictions: first, no attack on state plans; second, no violations of law. This scope of freedom can neither be determined according to the products nor is it practical to determine it according to the economic status of production units. It can only be determined according to the interests of planned economy. Those who can play a supplementary role in unified planning, or do not attack state plans, can have this freedom. Otherwise, they will be restricted. This is market regulation within the scope allowed by state unified planning. Therefore, under the condition of taking planned economy as the main factor, market regulation should not, and cannot, form a fixed and independent free market and become a system of its own. It always occurs in a branch or at a link in the whole course of social economic activities.

In agricultural economic activity, the state purchase of principal farm products constitutes planned economy. According to the policy of state purchase above quota at a higher price or with a bonus, surplus products must also be sold to the state. This is also planned economy, only the law of value is brought into play in this case. The state commercial departments purchase farm and sideline products by making contracts beforehand. The law of value is applied to this form of purchase; as it is done according to the plan, it is still planned economy. The processing industry takes farm products as its raw material. To obtain a stable supply of raw and other materials for the fulfillment of its planned tasks, the processing industry operates jointly with places which produce raw materials, and the latter supply the former with farm products as raw materials according to the production plan or contract of supply and demand under a joint enterprise. As far as the production and supply of farm products is concerned, this form is still planned economy. (The finished product may move within the orbit of planned economy or possibly in part go beyond the orbit of planned economy and enter the free market.) In addition to the foregoing cases, in the domain of agricultural economy, such production and marketing as grain and edible vegetable oil for sale freely on the market, under permission after fulfillment of the task of state purchase, and odds and ends produced on private plots and by family sidelines are all within the scope of market regulation.

Under the condition of taking planned economy as the main factor, there can be market regulation to a certain extent, within a certain scope, and at certain points. This is of positive significance in stimulating the national economy and making up the shortage of planned economy. However, it should also be fully reckoned that without guidance and restriction, market regulation could attack planned economy. Therefore, the agricultural economic planning department must be fully concerned about the situation of market regulation with regard to the trend of its development and problems which have occurred and may come up, study them promptly, take the necessary measures and give its guidance. This is not an additional duty of the planning department but an important task which the department must carry out seriously. Only by fulfilling this task can we safeguard the status of planned economy as the "main factor," and give full play to the role of market regulation as a "secondary measures."

9039

CSO: 4006/544

ECONOMIC PLANNING

RELATIONSHIP BETWEEN PLANNING, MARKET EXPLAINED

Beijing GUANGMING RIBAO in Chinese 12 Jun 82 p 3

[Article by Lu Xiansheng [0712 0341 5116]: "Should Planning Be Based on the Market?"]

[Text] As there are still commodity production and commodity exchange in a socialist society, the role of the market should never be ignored. However, the market is not the main regulator of production in the socialist society: it plays a regulative role only in assisting state planning. Some comrades maintain that "planning should be based on the market." They believe that only by taking the market as the basis can we make correct plans, and that in isolation from the market, state planning cannot reflect social needs and cannot insure the balance between social production and social needs. I think this view deserves further discussion.

1. Socialist production has its direct social aspect, and state planning can distribute social labor according to certain proportions. At the present stage of China's socialist society, though all means of production are not yet owned by the society and there is still commodity production, after all the public ownership of the means of production has banded together all the national economic departments, all localities and all enterprises as a unified whole, and has integrated the workers directly with the means of production. Here, the basic interests of the state, the collective and the individual coincide. On this basis, all activities of production and management are undertaken to meet the needs of the people and the society. This enables the state to distribute in a planned way all means of production and labor force directly according to social needs. Here, is not like in a capitalist society, where everything is a commodity and all social needs are manifested as market needs. In our socialist society, the labor force, land, mountains and rivers, mineral resources and so forth are no longer commodities. Though some products are commodities in nature, they are allocated by the state in a planned way, and cannot be bought or sold freely on the market. Therefore, under the condition of socialism, social needs are not entirely manifested as market needs. In other words, market needs are not equal to social needs. In socialist reproduction, some important proportionate relations, such as the proportionate relationship between consumption and accumulation, the proportionate relationship between the two major divisions, our plans of national income, financial and monetary matters

and capitalist construction, our plans for the development of science and technology, culture, education, public health, and so forth are all formulated according to socialist objective economic laws and according to objective real conditions, including social needs and practical possibilities. It is very difficult to say that they are based on the market.

2. In planning, the state should take into consideration the role of the market; however, this and "planning should be based on the market" are two entirely different things. Under circumstances that there still is commodity production in socialist society, the role of the market should and must be taken into consideration when plans are being made. If we ignore the influence of the market, then our plans will not be in line with the needs. However, state planning in consideration of the role of the market is different from planning being based on the market. When the state makes its plans in consideration of the role of the market, the state puts the law of value next to the socialist basic economic law and the law of planned proportional development, puts the market next to planning for consideration, and upholds the principle of taking planned economy as the main factor and market regulation as a secondary means. In other words, on the one hand, state planning respects the law of value and pays serious attention to the role of the market; and on the other hand, state planning does not conform only to the law of value and does not follow the market blindly. Those who maintain that planning should be based on the market take the law of value as the highest law, above all socialist economic laws, and imply that the law of value plays a decisive role in socialist economy and is not restricted by the socialist basic economic law and the law of planned proportional development. According to this view, when the law of value comes into conflict with the socialist basic economic law and the law of planned proportional development, then planning should be integrated with the law of value as the basis; and when market needs are not in line with social needs, when the market comes into conflict with planning, then social needs should submit to market needs and planning should submit to the market. In fact, they take market regulation as the main thing, and planning as its accessory.

3. There are circumstances wherein planning is based on the market; however, this is done only in some medium-sized and small enterprises and for non-staple products. In his report on the work of the government delivered at the Fourth Session of the Fifth National People's Congress, Premier Zhao Ziyang [6392 4793 7122] pointed out that there are four types of enterprises and products: In the first type, production is organized under state plans which are mandatory in nature; this concerns enterprises in the key branches of the economy or products vital to the economy and the people's living standards. In the second type, the major part of production comes under state planning, with the rest organized by the enterprises' own decisions. In the third type, a principal part of production is organized by the enterprises according to changing market conditions, with the remainder coming under state planning. In the fourth type, production is organized according to changing market conditions and within the limits permitted by the state plan; this covers miscellaneous small commodities. Here, the whole first type, the major part of the second type, and a small part of the third type are all production organized according to the state plan. In making plans

for these enterprises and products, the state should and must take into consideration the influence of the market, but it cannot take the market as the only basis. The concept that "planning should be based on the market" is then applicable to and correct for only enterprises and products of a small part of the second type, the major part of the third type, and the whole fourth type. Here, the roles of market regulation and the law of value are brought into play rather fully. On questions of what and how much the producers should turn out and how prices are to be fixed, decisions are made by the parties concerned basically according to the needs reflected in the market. Of course, this freedom of production is restricted to the scope permitted by the planning, policies and decrees of the state. On the whole, our socialist economy takes planned economy as the main factor, and market regulation as a secondary means. However, in this case, market regulation becomes the main factor, and planned guidance a secondary means.

In its complete sense, planning cannot follow the market blindly, and should not be based on the market entirely. Though needs reflected in the market have the aspects of sensitivity and speed, they also have the aspects of blindness and what has already occurred. If a shortage of goods becomes known only when there is not stock and an oversupply of goods is discovered only when the storehouse is overstocked, before we begin to make our plans, then planning cannot play the role it should play. Planning completely under the sway of the market is tantamount to no planning. Though free production organized according to changing market conditions is under the guidance of state planning, as the law of value and the market are playing the leading role in this instance, blindness is unavoidable.

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ECONOMIC MANAGEMENT

'GUANGMING RIBAO' ON CHANGING FINANCIAL MANAGEMENT

HK010830 Beijing GUANGMING RIBAO in Chinese 23 Aug 82 p 4

[Article by Zuo Chuntai [1563 2504 0669]: "Certain Experiences in Restructuring China's Financial Management System"--slantlines denote passage published in boldface]

[Text] For over 30 years, the central and local financial management systems have undergone the following development: The transition from dispersed management during the war period to centralized management in 1950, and then the gradual transition from centralized management to graded management under the unified leadership and planning of the central authorities. Of course, there are diversified forms of graded management (there are roughly more than a dozen forms which vary in the division of power, and our adoption of them also varies).

However, we have always been making progress in accordance with the principle of "unified leadership and graded management." In the course of our progress, sometimes, there was excessive centralization and sometimes there was excessive decentralization, but there have also been periods when we implemented this principle properly. We should say that we have gained some experiences in this respect. It is both necessary and beneficial to recall and sum up the historical experiences in our restructuring of the financial management systems in order to make preparations for the formulation of a general plan for our country's structural reform.

We can sum up our historical experience from different angles and different aspects. Here I am merely going to give my personal views in simplified outlines and expositions on the following aspects:

//1. The establishment and reform of the structure should be carried out in the light of the actual conditions in our country.// We may refer to foreign experiences, but we should not copy them. In fact, whether in the past or at present and whether at home or abroad, there have not been any patterns by which the problem related to centralization and decentralization can be satisfactorily solved.

Ours is a big country and also a poor one in which there are many nationalities with uneven economic development. Therefore, the establishment and

reform of our systems must not only be prudently and soundly carried out step by step, but should also be in various forms in order to take into account the different conditions in various areas. For example, in the structural reform in 1980, taking the country as a whole, we established the system of "dividing up income and expenditures to various grades of organizations, assigning full responsibility to them and fixing the proportion of revenue sharing for 5 years without change." However, in fact, a few different form of systems was set up simultaneously. In Guangdong and Fujian provinces, because of the implementation of the special policies and flexible measures, the financial measure of "assigning full responsibility for surplus and deficits" was adopted. In the three municipalities of Beijing, Tianjin and Shanghai, the method of "dividing up the total amount and fixing the proportion of revenue sharing once a year" has continued to be adopted. In nationality autonomous regions, a financial system for nationality areas was established. (The proportion of shares is to be fixed every 5 years, but some special preferential treatment is granted there.)

//2. We should properly concentrate our financial strength to ensure major construction projects.// Because our country is a big and, at the same time, a poor country, we cannot distribute our financial resources equally to each and every part, and therefore, we should properly concentrate our financial resources to ensure major construction projects under the prerequisite of paying attention to giving play to the initiative of the organizations at all levels. Excessive centralization which exercises too rigid a control is certainly wrong, but excessive decentralization which excessively disperses our state's limited financial reserves is also wrong. As was well said by Comrade Chan Yun, in order to make progress on a backward and poor economic foundation, we should do our best to concentrate our financial and material resources and utilize them under a unified management. As long as we concentrate our strength on where there are urgent needs for it, it would be entirely possible for us to achieve some great deeds. We must never be narrow-minded or do things in a disorderly manner and without proper planning. Of course, as time and conditions differ, so our requirements and the degree of centralization and decentralization differ; therefore, the relationship between centralization and decentralization is not invariable. The allocation of financial resources is something similar to the deployment of military forces in directing military affairs. In directing military affairs, we should disperse our troops to mobilize the masses of people and concentrate our troops to wipe out the enemy. Thus, sometimes we disperse our troops like stretching our fingers and sometimes we concentrate our troops like making a tight fist. We should use our financial resources in just the same manner. We can draw an analogy between the central finance and the field armies, between the local finances and the local corps and between the financial reserves of various enterprises and the guerrilla forces. Sometimes we may divide up our field army and turn it into local corps and guerrilla forces. When these local corps and guerrilla forces have grown strong, we will transfer parts of these corps and guerrilla forces and form these transferred parts

into a field army. What we should pay special attention to here is that we should change the focus of our work along with changes in the situation at the same time prevent the malpractice of "treating going beyond as being as bad as falling short." When we focus on concentrating our resources, we should pay attention to making allowances for some special needs in the localities in order to ensure the satisfaction of the indispensable needs, prevent our management from becoming too detailed and prevent our centralization from becoming excessive and rigid. When we focus on dispersion, we should pay attention to intensifying our efforts in striking a comprehensive balance and in conducting planned management. We should also heighten our sense of taking into account the whole situation and strictly enforce financial discipline in order to prevent the possible emergence of departmentalism which makes people blindly develop their own department at the expense of the interests of the whole.

//3. We should give play to the positive role of the financial system and treat political stability and unity as the prerequisite for smooth economic growth.// If we commit serious mistakes related to our guiding ideology, and thus stagnate our economic development, even a good system will not be able to play its role. Therefore, we should neither overestimate nor underestimate the role of the system. We should not attribute our mistakes during the 3 years of the "great leap forward" that began in 1958 to the structural decentralization at that time. Similarly, we should not attribute the success of the first 5-year plan entirely to the centralization in our system. An erroneous ideological trend, a high target or an inappropriate slogan sometimes has a greater impact than an erroneous system, let alone the decade of turmoil caused by the "Great Cultural Revolution."

By the way, I should like to answer the following question: Why, for over 30 years, in classifying items of income and allocating local financial reserves have we continued to adopt in turns the different methods of sharing income such as "category method," "total amount basis," "percentage of increase" and "percentage of extra income?" Theoretically speaking, by adopting the "category method," the departments at each level have their own fixed income. This seems better than the method of "total amount basis" by which all the income of the various departments is taken together in calculating the share each department should be allocated, thus the change in the income of one department will affect the income of the others. However, as a matter of fact, when the local fixed income increases slowly or even decreases because of various reasons, while the supplementary income from the revenue of industrial and commercial taxation increases relatively sharply or does not decrease, the localities will be willing to accept the method of "total amount basis." Similarly, when the income decreases and the method of "percentage of increase" cannot bring any benefits, the localities will be willing to accept the method of "percentage of extra income." This shows that theoretical feasibility is not identical with actual feasibility. That is why in a period when problems have emerged in our economy or even in our financial system itself, we often cannot find the causes in the system alone that give rise to these problems or find the

ways to solve these problems. Some people said that the current malpractices of duplicate construction, small enterprises pushing out bigger ones and local monopoly were the results of the system of "eating from separate kitchens," for these malpractices emerged long before this system reform.

//4. Our financial system should facilitate persisting in striking balances in financial revenue and expenditures and the comprehensive balances of the national economy and we should clearly divide up the responsibility for striking balances among the departments at various levels.// Comrade Chan Yun has time and again talked about the great significance of financial balance, credit balance and the comprehensive balance of the national economy and the relationships between persisting in striking balances and conducting proportionate development. He said, "The law of proportionate development must be observed, but...it is hard to tell what proportion is a right one. The only way out is to see whether a balance has been struck. If the proportion is right, a balance will be struck. On the other hand, if a balance has been struck, the proportion is generally right." If we do not strike a comprehensive balance or if we discuss the reform, pay attention to results and strive for a higher speed of development on the basis of an unbalanced economy, we will never achieve what we wish. Informulating our financial system, we should allot the local financial departments the additional necessary funds for extras in order to enable them to solve, in light of local conditions, the problems that may crop up. At the same time, we should also pay attention to fixing a rational proportion for sharing the revenue between the state and the localities and stipulate in what directions the localities can use their reserve funds in order to facilitate the planned management of the whole country and the striking of a comprehensive balance. We should clearly distinguish the responsibility for balancing revenue and expenditures of the financial departments at various levels as well as give play to the initiative of the departments at all levels.

We require the departments at all levels to shoulder the responsibility for balancing their revenue and expenditures, but we do not exclude the possibility of the emergence of casual deficits in some areas. What should be done if a deficit occurs? The local financial departments have no power to receive overdrafts from the bank. In the past, the usual way to solve this problem was that the central financial department subsidized the local financial departments. People called this practice "assigning responsibility that did not need to be shouldered." It seems that 2 better ways than subsidizing is enforcing the responsibility for balancing revenue and expenditures on the departments at various levels, provide loans for them to make up for deficits and fix a deadline for repayment of the loans.

//5. It is better to fix the system once a year rather than once for a few years.// Should we fix the system once a year or should we fix it once for a few years? This is a problem concerning our financial management system and involving a major reform and many disputes. Over the

past 30 and more years, we have twice practiced fixing the system for a few years. The first time was in 1958, but it was carried out for only 1 year, and the second time was in 1980 and we have already persisted in carrying it out for 3 years.

If the system is fixed once a year, at the end of the year, we will not be able to see whether the system works satisfactorily. Therefore, once the system has been formulated, it should be maintained for a certain length of time. By so doing, we will be able to feel ensured and to make a long-term plan and thus we will be able to gradually establish various forms of reserves. True, when the system "is fixed once for a few years," there will be the contradiction between the constant changes of all things and the fixation of the system, but the practice of "fixing the system once a year" also has many shortcomings, such as its involvement of a large amount of work at the beginning of every year in disputing over targets and the difficulty for the localities to formulate any long-term plans because they do not know anything about the future. That was the reason why when we reformed our financial system in 1958 and 1980, we originally stipulated that the system would remain unchanged for 3 years, but the localities asked us to extend it to 5 years. Now we have stipulated that the system where by our enterprises retain a part of their profits will remain unchanged for a few years. People hope that the system should remain unchanged, and generally speaking, fixing the system for a few years is better than fixing the system once a year.

Of course, fixation and change is a dialectical unity. We should allow necessary partial readjustment when conditions have undergone a relatively great change as well as maintain a basic fixation and a relative stability. When Comrade Xiaoping concurrently held the post of finance minister in 1954, he pointed out that "the local financial departments should be allowed to keep their surplus as reserve for extras." At the same time, he also pointed out that if the localities' surplus increase to a substantial amount, the central authorities will allocate less revenue to them and ask them to hand in a part of their surplus and the local authorities will be willing to make contributions for the interests of the whole. When Comrade Chan Yun was improving our financial system, he pointed out that we had to pay attention to keeping the proportion in sharing revenue under a certain limit. If after 1 year of implementation, the system has been proved to be far from satisfying, a necessary partial readjustment should be allowed. It is wrong to view the relations between fixation and change in a mechanical manner. In fact, even if the system "is fixed once a year," the administrative, cultural and other expenditures and the expenses for maintaining simple reproduction must be provided for and ensured. In this sense, these expenditures and expenses are also fixed or seldom changed. In the budgets of the whole state, about 60 to 70 percent of the revenue should be used for feeding the people and maintaining simple reproduction. This percentage cannot be reduced. What we call a change means primarily the change in the sectors related to expanded reproduction. This means that there is still something that will remain unchanged in the course of any given change.

//6. In reforming the financial system, we should pay attention both to correctly handling the relationship between the central and the local departments and to correctly handling the relationships between the state and the enterprises.// The latter has a greater and more significant bearing on our economy. The extent of the decision-making power and the proportion of profit sharing for the enterprises should be suited to the duties and responsibility that the enterprises have shouldered and the contributions that the enterprises have made. Any practices of egalitarianism is undesirable, nor is it right to think that the greater the decision-making power and the greater a share of profits the enterprises get, the better. The enterprises should instead obtain their gains or benefits by improving their administration and management merely by acquiring a greater share from the state revenue. That is to say that the enterprises should obtain benefits by "working hard" instead of by "striving for a greater proportion of retained profits." As our enterprises have not yet all been formed into various types of companies in accordance with their professional line and trade and in accordance with the principle of cooperation, and as they are still relatively dispersed, it is better to fix the proportion of retained profits on the basis of professional lines. This will be favorable for the internal readjustment inside the professional line and will facilitate preventing the enterprises from being treated unequally. This will also facilitate the formation of a shock force and the planned reform of the whole professional line and will prevent the malpractice of widely dispersing our funds.

//7. The reforms of our financial system should be coordinated and form into a complete set.// This means that the financial system should be linked with the coordinated with other systems such as the planning system, the system of capital construction, the system of material supplies and the system of pricing. If the reform of our financial system is carried out in an isolated manner, it will often give rise to new contradictions and fail to achieve the desired effects.

What is meant by the formation of a complete set? We can draw an analogy between the formation of a complete set and the making of a prescription for Chinese herb medicine by a practitioner of Chinese medicine. In the making of a prescription for Chinese herb medicine, we should apply dialectical thinking. One or two kinds of herbs are chosen as a cure for a certain illness, but they have some side effects on the patient's other organs. Therefore, one or a few other kinds of herbs should be added to offset the negative side effects. This is also true for any reform system. Everything divides into two. It is impossible for a system to be all advantages without some disadvantages. As a maxim goes, an advantage is always accompanied by a disadvantage. We should not give up eating for fear of choking and stop making progress, nor should we constantly change our system because we find some small defects in this system. This gives rise to the need for the formation of a complete set in order to develop the advantages and eliminate the disadvantages and also to reduce as much as possible the side effects our reform system may bring about.

In filling gaps to complete a chain, we have to fill gaps in the financial system itself and fill gaps between the financial system and other management systems. The six principles for financial work mentioned by Comrade Xiaoping in 1954, for example, are in the policy of "five tightening-ups and one slackening." This is to fill the financial system's gaps between tightening up and slackening, and between loose and strict. Again, when Comrade Chen Yun was in charge of structural reforms in 1956, the work to improve the financial management system was carried out side-by-side with the work to improve the industrial and commercial management system. He also pointed out: after delegating powers to lower levels, we must strengthen the country's overall balance and establish relevant accounting systems, report systems and inspection systems. This is to fill gaps between the financial system and other management systems. One rather big mistake we had in the past was that we did a certain thing only during a short period of time and affirmed only one portion of things. When we stressed centralization, we would do everything in a decentralized manner. When we delegated powers to lower levels, we would abandon management, and when we stressed strengthening management, we would negate delegating powers to lower levels. When we stressed the peasants' interests, we would only do things that provided peasants with greater interests and when we stressed that peasants should make greater contributions, we would only do things in this connection. We did not integrate centralization with decentralization, delegation of powers to lower levels with strengthening management, or interests with contributions. These practices of doing things one-sidedly are bound to give rise to problems and often turn good things into bad ones. It was entirely correct, for example, to delegate depreciation funds to enterprises. While doing so, we should have strengthened management at the same time. These funds should have been kept in special accounts and used under supervision. It turned out that the depreciation funds delegated to lower levels were not properly managed. During the past 12 years or so since 1968, there has been more than 100 billion yuan allocated to a depreciation fund. Quite a large portion of it has been used for other purposes and has not duly played its role. After these funds were not used appropriately, some people said that it was not enough for replacing and transforming equipment. Again, after the third plenary session, it was entirely necessary to increase the purchase prices of agricultural and sideline products. However, while increasing the purchase prices, we lowered the basic figures for state purchase; while increasing prices for additional purchase, we allowed negotiated-price purchase. Moreover, while increasing purchase prices of agricultural and sideline products, we reduced and exempted some taxes in rural areas. Thus, the step taken was evidently too big, putting too heavy a burden on the state and so on.

Years of experiences have educated us and made us understand that in considering appropriate centralization, we must first consider indispensable decentralization. Only with necessary decentralization can we have real centralization. In considering giving play to the role of favorable conditions, we must first consider how to overcome unfavorable ones. In

considering strict control, we must first consider what should be slackened. In considering flexibility, we must first consider what should be put under unified management. In this way, we will be able to consider dialectically integrating centralization with decentralization, favorable conditions with unfavorable ones, strict control with a loosening of control and unified management with flexibility. We will then be able to coordinate these aspects, keep the favorable conditions and eliminate undesirable ones, carry out unified management without being rigid, be flexible without causing confusion and really give play to the role of favorable conditions. Of course, in practice, it is not easy to do everything appropriately. However, it is not at all excessive to demand that we should have more dialectics and less metaphysics.

//8. In carrying out big structural reforms, it is necessary to have substantial financial reserve strength.// We should strive to make our subjective thinking conform with objective reality. On the other hand, "even the wise are not always free from error." It is unbelievable if a major plan for structural reforms can be mapped out perfectly at one go without anything going wrong. In implementing such a plan, some unexpected problems will crop up and mistakes and even failures in some parts will occur. This is unavoidable. This is why we need substantial reserve financial strength to make up for possible mistakes in some areas. This is similar to the necessity of having devices for blood transfusion and oxygen therapy before performing a major operation. In the past few years, we have carried out preliminary structural reforms. We have made outstanding achievements, but at the same time we find our ability falls short of our wishes and we cannot take greater steps forward. This is because our reforms have been carried out in light of readjustment and when there is a financial deficit in our country.

The eight points mentioned above are initial probes in this respect. There are still many other questions which need further probing and accumulating of our experiences. I have just made some commonplace remarks for reference so that others may come up with more valuable opinions. Pointing out mistakes in what I have said is most welcome.

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ECONOMIC MANAGEMENT

ASSESSMENT OF ENTERPRISES' ECONOMIC RETURNS NEEDED

HK020313 Beijing RENMIN RIBAO in Chinese 27 Aug 82 p 5

[Article by Xun Xiaoliang [1327 2400 5328]: "An Overall Assessment of the Economic Returns of the Machine-Building Enterprises is Needed"]

[Text] Enhancing economic returns is the central element in the development of the national economy and a basic starting point for considering all economic problems. This guiding principle is explicit. However, to assess the economic returns of enterprises, we should make a specific analysis from various aspects.

A unit has imported a new technology for automotive carburation that can reduce overall oil consumption by about 10 percent. If we manufacture 100,000 new cars a year, we can save about 40,000 tons of oil, amounting to 20 million yuan. If all Chinese-built cars are equipped with these new carburetors, we can save 700,000 tons of oil a year, amounting to 350 million yuan. Apart from that, we can lessen air pollution, which will be beneficial to environmental protection. However, the structure of the new carburetors is more complicated than the old ones and precise mechanical accuracy is required. Production costs will also increase by about 50 percent. Due to the fact that a price increase for carburetors is not allowed, the profits of enterprises which produce them will certainly be affected. If we judge this new technology simply from the viewpoint of profits, we feel that economic returns have dropped. In other words, the state has saved on oil, consumers have saved money and pollution in the society has been reduced. However, the economic returns of the enterprises concerned have dropped.

What lessons have we drawn from this matter? This matter tells us that we should not take lopsided views to assess the economic returns of enterprises. Instead, we need overall views in this respect. The machine-building industry provides various departments of the national economy with technological facilities. This position and role have determined that although it is important for the machine-building industry to enhance its economic returns, its more important task is to provide consumers with appropriate and advanced technological facilities and to serve the enhancement of the economic returns of the whole society. Therefore, we should not take a naive view to assess the economic returns of the

machine-building enterprises. We should, at least, take three factors into consideration. 1) Apart from assessing the economic returns of the machine-building enterprises, we should particularly assess their role in enhancing the economic returns of society. 2) We should assess not only the present economic returns, but also the long-term economic returns. Sometimes, our present profits will be affected when we develop new productions. Nevertheless, we should continue to do so. 3) We should not only assess the economic returns in monetary terms such as production costs, profits and so forth, but also take social interests into consideration. Very often, investments in eliminating pollution, improving the environment and so forth will affect the increase of profits, but they are beneficial to society and the physical health of all staff members, workers and the masses.

Of course, it is an ideal thing if we can unify the economic returns of various quarters. Actually, they are not identical. Therefore, we need a correct criterion for assessment. With regard to machine-building enterprises, when the economic returns of enterprises conflict with the economic returns of society, first priority should be given to the economic returns of society. When the present economic returns conflict with the long-term economic returns, equal consideration must be given to both.

Theoretically speaking, it is easy for people to reach a common understanding of the criteria for assessing economic returns of enterprises. However, in actual practice, they do exactly the opposite. For example, some leading organs and leading comrades will criticize or complain that the profits of some enterprises have dropped. They are not willing to make any conscientious analysis. They do not know the reasons why the profits of these enterprises have dropped. Is it because of poor management or because of the sacrifice of the enterprises' economic returns in order to enhance the economic returns of society? Let us take another example. Loans are granted for profit-making products even when society does not need them and there is a large stock of these products. Some enterprises produce products which are beneficial to enhancing the economic returns of society, but their acts are not supported because they cannot make more profits. If we let such things spread unchecked, it will be detrimental to enhancing the economic returns of the production of the whole society.

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ECONOMIC MANAGEMENT

SUMMING UP OF REORGANIZATION WORK IN ENTERPRISES URGED

Fuzhou FUJIAN RIBAO in Chinese 29 Jun 82 p 1

[Article by Wen Ling [5113 5107]: "Summing Up the Work of Reorganization in Enterprises and Strengthening Guidance"]

[Text] Recently the leading comrades of the Fujian provincial government and provincial Economic Committee led an investigation team to some prefectural, county and basic-level enterprises to conduct investigation and study, and together with the responsible comrades of the basic level studied their reorganization problems and summed up their experiences.

From mid-May to mid-June, Vice Governor Wang Yan [3769 3508], Chairman Xiao Jian [5135 0256] of the provincial Economic Committee and other comrades carried out their investigation successively at more than 10 enterprises, including the Gutianxi Hydroelectric Power Plant, the Qingzhou Paper Mill, the Sanming Iron and Steel Works, the Sanming Chemical Works, the Sanming Heavy Machinery Plant, the Fujian Vinylon Factory, the Yongan Brewery, the Youxi Textile Machine Parts Factory and the Minqing Porcelain Factory into their reorganization work and held discussions with the cadres at the enterprises, the members of the investigation groups staying at these enterprises, and leading comrades of the prefectural and county governments concerned. From the results of the investigation, it was found that these enterprises had achieved some success and gained some initial experience from this phase of their reorganization work. However, up to now, some enterprises have not yet made a breakthrough and others still have no idea of what to do next. From this investigation and study, they realized that at present in order to do a good job of reorganization they must pay attention to the following problems.

From the experience of many factories, it can be seen that right from the beginning of reorganization it is necessary to achieve good ideological mobilization, to enhance the understanding of the importance and necessity of carrying out reorganization in enterprises, and to encourage all cadres and workers to take an active part in the work of reorganization. A very few of those who openly oppose the reorganization should be criticized and educated seriously; we cannot tolerate and yield to them. In the course of carrying out reorganization, it is always possible to encounter disagreement and resistance in every phase and every branch of the work; the work of ideological education must be conducted throughout the course of reorganization. In the reorganization work, we must always pay attention to the following three types of work: political and ideological work, fundamental management work, and the work of improving the economic responsibility system and improving economic results.

How should we start with the work of reorganization? The Fujian Vinylon Factory started with the strengthening of labor discipline, the Nanping Paper Mill with the work of building a spiritual civilization, the Sanming Iron and Steel Works with the implementation and improvement of the economic responsibility system, the Yonggan Brewery with the work of putting things in order, and the Sanming Foodstuffs Factory with the reorganization of its leading groups. Despite their different methods of work, they all made a breakthrough and started the ball rolling. Therefore, an enterprise should start with the work of reorganization according to its specific conditions; there is no uniform and rigid rule.

While strengthening labor discipline, many enterprises handled typical cases of serious violations of labor discipline by linking them with the commendation of exemplary persons and deeds. This played a very great role in combating evil trends, creating a healthy atmosphere, and enhancing the faith of all workers in the reorganization of their enterprises. However, in handling cases of violation of discipline, we should adhere to the principle of equality for all regarding discipline, and treat all workers and cadres as well as the leadership in the same manner. The practice of the Fuqing Synthetic Ammonia Factory is worthy of learning. In the installation of new equipment, the leading members of the factory did not direct the work carefully enough, and the work of installation was delayed. It was formally announced that the bonuses of the factory director and vice director for the current month were deducted by 50 and 30 percent respectively. When the leadership members observed the regulations and discipline, they could justly and forcefully deal with the violation of discipline and evil trends, and the staff members and workers would assume a new mental attitude. From the beginning of this year, this factory has increased its output month by month, and doubled and redoubled its profits.

The implementation and perfection of the economic responsibility system constitute an important aspect of the reorganization of enterprises. We should take care to prevent the erroneous tendency of talking about distribution and bonus as soon as we talk about the economic responsibility system. While authority, responsibility and interests are linked together, we should first stress responsibility and set up a perfect system of personal responsibility, from factory directors to workers, so that the economic responsibility system is enforced not only in administrative offices, workshops and workers groups but also for every person. We must advocate the revolutionary spirit of working hard amidst difficulties, and encourage people to make greater contributions to the country. In talking about personal interests, we must also study mainly how to implement the principle of "to each according to his work," overcome equalitarianism and further improve ways of giving awards. We must educate those who think only about money and bargain for bonuses. It is better to put politics in command than to put bonuses in command.

From the investigation it was found that the basic-level enterprises, and especially the big factories, were overstaffed. Some factories had numerous administrative levels, including a head office, branches, workshops, workshop sections and workers groups. Some factories had set up more than 20 administrative offices; the number of personnel in nonproductive work exceeded the

stipulated 18 percent, some reaching as high as 30 percent. In this situation, these factories can easily become administrative offices and will find it difficult to direct the work of production. Therefore, while readjusting the organization of labor, we must be determined to simplify the structure of management, reduce the number of administrative levels, merge administrative offices, and cut down the number of nonproductive personnel. We must determine the size of a factory on the basis of each section of its production lines.

The investigation team of the provincial government summed up the experiences of various places into a guideline that the work of reorganization must be linked with the following five fields of work: production work, learning from the advanced by "comparing three things and looking for six things," building a spiritual civilization, combating criminal activities in economic fields, and readjusting the party's basic-level organization. Regarding problems concerning policies which various places had put forward, such as the reorganization of leading groups and the replacement of cadres with workers, the investigation team, on its return, held discussions promptly with the government offices and departments concerned.

Comrade Wang Yan said: "How long should we take to complete the reorganization of an enterprise? According to the findings of this investigation, as the conditions of various enterprises are different, the speed of progress is also different. Moreover, this year only the first group of enterprises have carried out reorganization on an experimental basis. Therefore, it is not advisable to fix a rigid schedule. Generally speaking, our objective is to do a good job, not to race against time, and to guard against doing things in a perfunctory and superficial manner. The provincial government is going to call timely meetings for the exchange of reorganization experiences among all enterprises in this province. We hope that they will bring good experiences for the exchange, so that the first group of enterprises can successfully complete their work of reorganization and accumulate experience for the reorganization work of the second group of enterprises in our province."

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CSO: 4006/540

ECONOMIC MANAGEMENT

BRIEFS

POLICY ON ECONOMIC CRIME--In attacking economic crimes, in the previous period the agricultural bank of Qianjiang County, Hubei Province, engaged in the mistaken method of "lumping" an incorrect style or mistakes in work together with criminal activity due to a lack of clarity about distinctions in policy; thus, entire days were spent in criticizing an individual because "on a certain day he looked up a friend and bought some clothing cheap" or "received so many jin of sesame oil," but investigation and attack on serious crimes were overlooked. To reform this situation, the leadership of the bank recently organized the employees to study the relevant party Central Committee documents and notices, paying attention to making four distinctions in policy: one is to distinguish between mistakes in work and breaking the law, not to insist that mistakes in work are breaking the law or that breaking the law is a mistake in work, and to make it very clear. Two is to distinguish between smuggling, bribery, and speculation, on the one hand, and problems which crop up due to certain imperfections in the system and method in carrying out the economic policy of opening up to the outside and making things flexible internally, on the other. Three is to distinguish between economic crimes and ordinary going against the system or incorrect style. In economic crime a distinction should also be made between being the leader in a crime and being an accessory. Four is to distinguish between serious crime and ordinary crime and to stress that major crime should be the focus of struggle. [Excerpt] [by Du Jing] [Beijing ZHONGGUO JINRON [CHINA'S BANKING] in Chinese No 13, 4 Jul 82 p 30] 8226

CSO: 4006/562

FINANCE AND BANKING

BANK OF CHINA PRESIDENT REPORTS EXPANDED OPERATIONS

Beijing ZHONGGUO CAIMAO BAO in Chinese 8 Jul 82 p 1

[Article: "China Respects Contracts and Keeps Its Word in Improving Foreign Capital--Foreign Friends in Financial Circles Are Welcome To Cooperate Closely and Expand Contacts With Us"]

[Text] Recently, Bu Ming [0592 2494], president of the Bank of China, spoke to reporters on the question of enlisting and using foreign capital. He said: "China is a country of planned economy; the income from and the use of foreign exchange are both under state unified planning and balance; each year all external debts which should be repaid with interest are included in the annual plan and, thus, insured for repayment. At present, China is using foreign loans mainly for key construction projects, for the production of export goods, and for the exploitation of natural resources. With the readjustment of our national economy, the reorganization of enterprises and the gradual development of technical reform, it is expected that the use of foreign capital will gradually increase."

Bu Ming said: "As the national bank of the People's Republic of China, which specializing in handling foreign exchange, the Bank of China undertakes important tasks in drawing in and using foreign exchange funds and conducting financial activities abroad. In recent years, according to state policies and plans, the Bank of China has adopted common international practices, developed financial dealings with foreign banks, taken in and used foreign funds and, in coordination with departments concerned, also started the business of compensation trade and the processing and assembling of foreign raw and other materials. In drawing in foreign capital, China first takes into consideration the ability to pay its debts, and upholds the principle of 'respect contracts and keep one's work.' We welcome foreign friends in financial circles cooperating closely and expanding financial dealings with us."

Bu Ming said: "Since the Third Plenary Session of the CCP 11th Central Committee and with the rapid development of China's economic activities abroad, the Bank of China has enlarged the scope of its business, expanded fields of operation, and appropriately increased the number of its offices and personnel. In 1981 the bank's total assets reached Renminbi over 92.2 billion yuan and the net income reached over 710 million yuan, showing respective increases of over 38 billion yuan and over 480 million yuan in comparison with 1979. Up

to the end of 1981, the bank had 141 domestic branches in the principal and major cities and ports of all provinces, municipalities and autonomous regions, and had established proxy relationships with 2,920 offices and branches of 1,071 banks in 146 countries and regions. Last year the bank's home branches approved loans in foreign exchange totaling \$3.87 billion, of which \$3.61 billion were actually used, and recalled \$3.38 billion in loans. The surplus of loans in Renminbi for supporting and expanding the circulation of goods in foreign trade and other items increased by over 6 billion yuan in comparison with the previous year. These loans played a very useful role in balancing the state income and expenditure in foreign exchange, giving support to energy and communications enterprises and light and textile industrial production, invigorating the national economy, expanding export trade, and increasing financial incomes."

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CSO: 4006/540

FINANCE AND BANKING

ISSUES IN WITHDRAWAL OF CURRENCY FROM CIRCULATION DISCUSSED

Beijing ZHONGGUO JINRONG [CHINA'S BANKING] in Chinese No 13, 4 Jul 82 pp 9-10

[Article by Peng Ziqin [1756 1311 0530]: "Withdrawal of Currency From Circulation Should be Stressed in Good Economic Situations, Too"]

[Excerpt] In 1981, Tianjin made great achievements in stabilizing the economy by conscientiously carrying out the party's policy on readjusting the economy. The gross value of the city's industrial production increased 6.4 percent over the preceding year, including a 16.3 percent increase in gross value of light industrial production; although agricultural production suffered from natural disasters of wind and drought, the gross value of agricultural production still increased 2.1 percent over the preceding year; commodity circulation further expanded; retail sales of social commodities increased 11.2 percent; and the situation reflected in currency circulation was better than in the preceding year. In 1981, the net withdrawal of currency from circulation for the city increased 81.4 percent over the preceding year; an increase of this magnitude is rare in the city's history. What is worth noting is that since the beginning of the year the pace of withdrawal of currency from circulation has clearly slowed. From January to March, the city's cash income increased 5.3 percent over the same period last year and cash expenditures increased 7.5 percent over the preceding year, so in balancing revenue and expenditures, the net withdrawal of currency from circulation has declined 19 million yuan, a magnitude of decline of 21.3 percent.

Tianjin is an important city for withdrawing currency from circulation. How could there be a decline in withdrawal of currency from circulation this year when there was a big increase in industrial and agricultural production last year? Through investigation we can see that there are certainly many real questions connected with this phenomenon; for example, there are certain difficulties in implementing the production plan this year: the sources of goods diminished and the makeup of existing stocks of goods is irrational, so the supply of goods suited to the market is insufficient; furthermore, the channels for circulation of goods are not free, there are no connections between wholesale and retail or between commercial supply and marketing, goods cannot be displayed, and it even goes so far that large discrepancies appear between purchasing power and the volume of goods that can be supplied. But primarily, the problem is that some comrades have some difficulty in understanding that although last year the economic situation took a turn for the

better, it is still necessary to stress withdrawal of currency from circulation this year. In the process of investigation at the grassroots level, we saw that some comrades did not have the same sense of urgency about stressing withdrawal of currency from circulation that they did last year. They saw that fewer notes were in circulation than in 1981 and thought they could let up. The root cause of this thinking is inseparable from a lack of correct understanding of the impact of currency in circulation. Thus we think it is necessary to clarify these misconceptions which are currently having an impact on the withdrawal of currency from circulation.

The first misconception is: "the volume of currency in circulation is no longer so great," "we drew away from the security line and the danger point long ago." Comrades who maintain this viewpoint think that China's currency circulation situation has already taken a fundamental turn for the better so it is no longer necessary to go on devoting so much effort to the problem of withdrawal of currency. We think that this viewpoint is open to question. Although a basic balance between revenue and expenditure was achieved in 1981, it was achieved mainly by a major contraction in expenditures. According to original estimates, there was to have been a large deficit in 1981, but due to the reduction of some outlays for administrative expenses, slashing of appropriations for capital construction, sale of treasury certificates to businesses, reduction of the increased allocation of floating capital to banks, and with large loans and advances from banks, the deficit was reduced to 2.54 billion yuan, so the 1981 financial balance was only a basic balance. Under the present economic system, this tight financial balance cannot but have a major impact on the issuance of currency. Under conditions where the number of notes put into circulation in the preceding 2 years increased, in 1981 China again expanded the volume of notes, and this explains why it is still very difficult to completely achieve a credit balance and tight monetary policy. Under these conditions how can it be said that the present currency circulation condition has already taken a fundamental turn for the better?

The second misconception is that the "current market supply has taken a turn for the better, and basic needs for most goods can be satisfied," "the volume of currency circulation is basically appropriate." We think that this point of view is also open to question. To be sure, with the development of industrial and agricultural production in the past 2 years the market supply situation has greatly improved, but we should note that there is still a large discrepancy between the present increase in purchasing power and the increase in the ability to supply goods. Although the stocks of goods increased somewhat last year, the amount of purchasing power that has accumulated over the years is large, and seen from the perspective of our city's plans for cash income and expenditures and withdrawal of currency from circulation this year, there is still a gap of over 400 million yuan worth of goods. Add to this the fact that this year the sources of imported goods have diminished, that not as many goods are being purchased from other provinces and cities as last year, and the supply of marketable goods is insufficient, and it is much more noticeable. At the same time, goods not suited to the market have increased in the stocks of commercial departments, and the goods which can be used in the market to withdraw currency from circulation are not many. In terms of

edible goods, the supply of nonstaple foods is still rather tight. In apparel, due to shortages or lack of supply of over 60 percent of the varieties, there has been a drop in sales. Under these conditions, how can it be said that the current volume of currency in the market is basically appropriate?

The third misconception is that the "present market prices are stable, and in the stability of rural market trade prices we see a decline, so you can't say that there is too much currency circulating in the market." Actually, the tendency of prices to rise over the past 2 years has been checked, and current market prices are basically stable, but we should note that the prices of some goods still show a tendency to increase. What should be pointed out in particular is that in the past year the difference between the prices of some goods in rural market trade and in state-run list prices has not diminished, but has grown, so that to say that the prices in rural market trade "appear to be dropping" does not conform to the actual situation. Some comrades also say: "In a socialist society, prices are set by the state and are stable, so prices basically cannot reflect how much currency is in circulation." We think that this viewpoint, too, is open to question. The reasons for this are: first, although the rise and fall of market prices cannot be directly equated with the amount of money in circulation, they are organically related. When the rate of currency in circulation does not change, the need for currency in circulation is directly proportional to the total price of goods, and if the currency is increased beyond the commodity circulation's need for it, then prices will of necessity rise and the value of the currency will actually decline. Second, under conditions of implementing planned prices, while the funds and labor of the society cannot move from department to department at will and market prices cannot be expressed as a constant fluctuation which changes in the relationship of supply and demand, socialist planned prices are also founded on value, and if currency in the market increases and there is a long-term split between commodity prices and value, it will obstinately express itself in a variety of forms. Third, although market-priced goods make up only a part of all goods, since the purchasing power can move freely between plan-priced goods and market-priced goods, the supply and demand situation of market-priced goods is interlinked with all goods and influences prices as well. Clearly, the viewpoint which separates prices and currency in circulation cannot be effected in actual work.

We should note soberly that the present tendency of market currency to increase is still a latent danger. The danger lies in issuing more currency, which must of necessity provoke a rise in prices to a certain degree. We cannot treat this question lightly.

8226

CSO: 4006/562

FINANCE AND BANKING

HEBEI CONFERENCE STRESSES INCREASING REVENUE

HK021318 Shijiazhuang Hebei Provincial Service in Mandarin 0400 GMT 27 Aug 82

[Summary] On the evening of 26 August, the Hebei provincial government held a telephone conference, demanding that all places strive to increase revenue and strictly control expenditures.

The conference pointed out: "Since the beginning of this year, the situation of collecting revenue and controlling expenditures in our province has been good. However, some problems have also existed. The main problems are that the profits submitted to the state by industrial and commercial enterprises have dropped, the amount of enterprises' capital temporarily tied up in their products has increased, the quantity of unmarketable commodities kept in stock has increased and the situation of tax evasion and arrears has been relatively serious. Some places have not increased revenue and strictly controlled expenditures. The total revenue of the whole province in the first 7 months of this year was 1.9 percent more than in the corresponding period last year and the total expenditures were 11.6 percent more than in the same period of last year."

To ensure balance between revenue and expenditures and a slight surplus in the province this year, the conference demanded: "All bureaus and departments must vigorously help industrial and commercial enterprises to raise economic returns and to strive to increase production, sales and income. They must do well in straightening out finances in enterprises, strengthen financial management and do everything possible to reduce the costs and charges of production. It is necessary to actively conduct a large-scale financial and economic discipline inspection and to vigorously increase revenue. Revenue which is due must be collected. It is essential to strictly control expenditures and resolutely eliminate the situation of tax evasion and arrears. We must prevent unnecessary expenditures in the coming few months."

The telephone conference also demanded: "All places must step up the payment of state treasury bonds. State treasury bonds for which individuals have subscribed must be paid before the end of September. In accordance with the notice of the general taxation bureau of the Ministry of Finance, all places must seriously do well in registration work in September." In conclusion, the conference demanded that persistent offenders who violate the taxation regulations be severely punished in accordance with the seriousness of their cases.

CSO: 4006/636

MINERAL RESOURCES

GEOLOGICAL FEATURES OF COPPER-URANIUM DEPOSIT DESCRIBED

Beijing DIZHI LUNPING [GEOLOGICAL REVIEW] in Chinese No 3, 1982, pp 210-215

[Article by Tu Yingwei [1047 5391 0251], Mineral Resources Committee, Hunan Province: "The Geological Characteristics of a Certain Copper-Uranium Deposit"]

[Text] The deposit with which we are concerned is a relatively high-grade copper-uranium-polymetal deposit in the southern part of the country; it is of a relatively uncommon type in our country, being a completely concealed blind deposit. The extraction conditions are fairly good and the refining yield is excellent: the commercial economic value of the uranium exceeds that of the main metal, copper.

Below we describe briefly the geological characteristics of the deposits in this ore area.

1. Geological Survey

The stratigraphy of the ore region consists of middle and upper Carboniferous Hutian limestones, Jurassic Yangxin limestones and Longtan coal series, and Cretaceous red beds.

The eastern section of the ore area is covered by the Cretaceous red beds. The central and southern sections are located among complex curving folds formed by Carboniferous and Jurassic carbonate and silicate strata with an axis running generally NNE, which are complicated by a group of large regional faults, also running NNE, producing a complex folded-faulted belt running northeastward.

The Hutian and Yangxin limestones and the Longtan coal series form an overturned syncline dipping toward the southwest. The amplitude of the overturning gradually increases from the eastern to the western part of the area. As a result of northwestward compression coming from the southeast of the region, the formation of this overturned syncline was accompanied by formation of southwest-dipping fault F₂₂ and other compression-torsion faults of the same order. This fault has overturned the Cretaceous Hutian limestones over the Jurassic Longtan coal series, and overturned both over the Cretaceous red beds (Figs. 1 and 2).

The stratigraphy described was formed by a brush-shaped rotation structure and an east-west structure¹ and can be divided into two ore-controlling fault types.

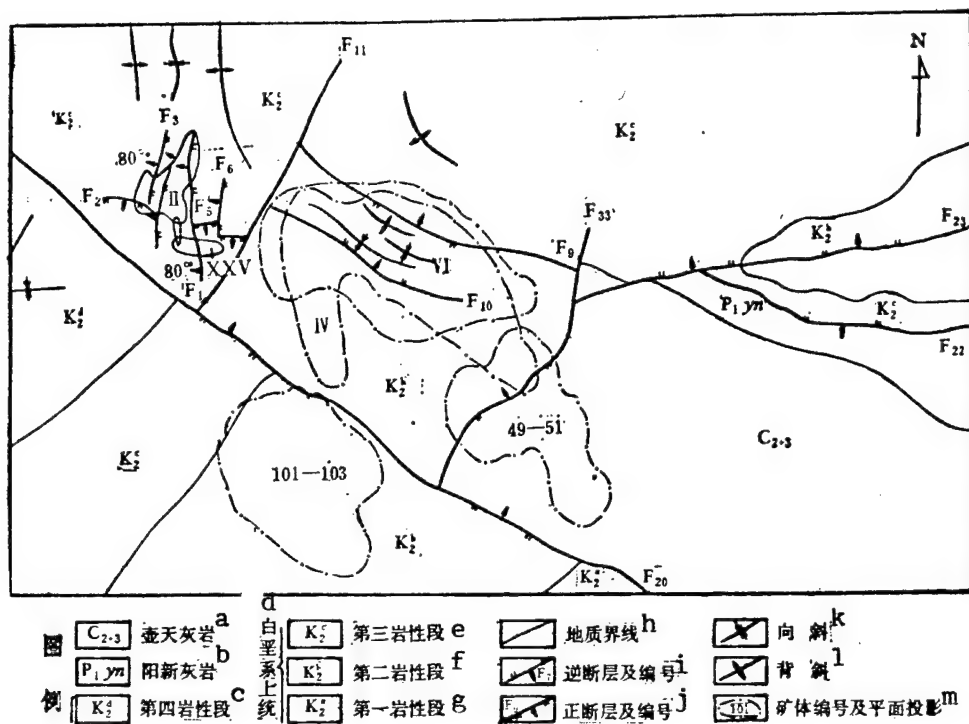


Fig. 1. Planar Diagram of Geology of the Ore Region

Key:

- a. Hutian limestone
- b. Yangyin limestone
- c. Fourth lithological stage
- d. Upper Cretaceous
- e. Third lithological stage
- f. Second lithological stage
- g. First lithological stage
- h. Geological boundary
- i. Reverse faults and numbers
- j. Normal faults and their numbers
- k. Synclines
- l. Anticlines
- m. More body numbers and plane projections

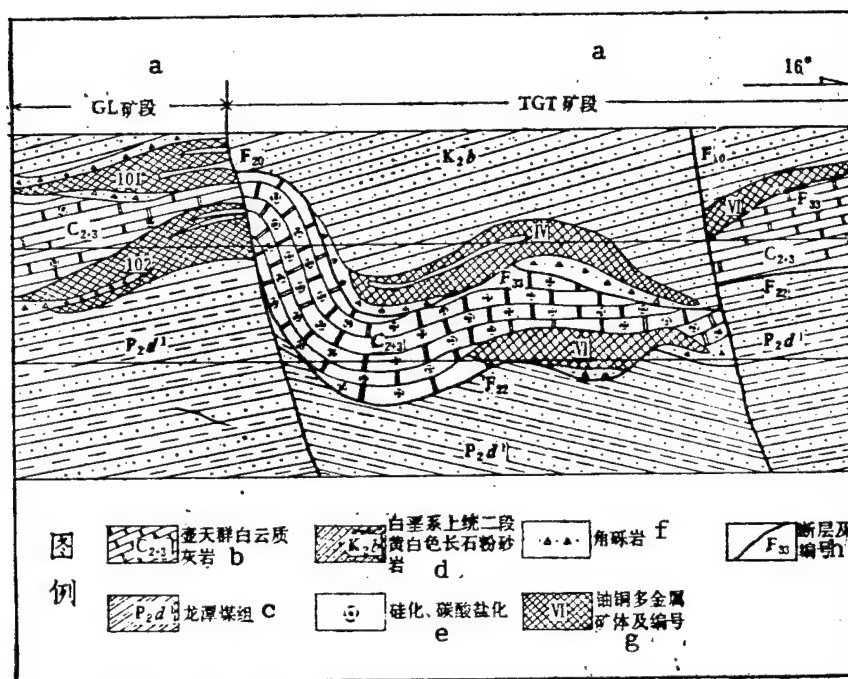


Fig. 2. Inclined Section Through Ore Bodies

Key:

- a. Ore sector
- b. Hutian dolomitic limestone
- c. Longtan coal series
- d. Upper Cretaceous second-stage yellow-white feldspar-containing sandstone
- e. Silicitized and carbonatized rocks
- f. Breccias
- g. Uranium-copper-polymetal ore bodies and their numbers
- h. Faults and their numbers

One of these fault types is located at the convergence and disjunction of faults running in different directions which existed before the ore mineralizations and is associated with rather steeply-dipping ore bodies; the other is located where faults change from shallow to deep and from steep to level and undulating. The former group includes ore-controlling faults F_1 , F_2 , F_3 , F_4 and F_5 , and the latter group includes ore-controlling faults F_{12} and F_{33} . The ore bodies are stratoid, lenticular, veined and saccate, with the first two types predominating. The brush-shaped structural system also includes other folds and faults in the ore area. Their formation is to be ascribed to counterclockwise rotation produced by northwestward compression. This arc-shaped folded and faulted zone spreads out toward the southwest and coalesces toward the northwest, rapidly wedging out when it enters the red beds. The fault planes are basically of the compression-torsion type: the out-turned faces are twisted toward the southeast and the in-turned faces toward the northwest. Their relative movement induced a series of equally-

spaced echeloned structures running northwest, such as F_{20} , F_{10} and F_9 . In addition, it led to a third-order structure which produced spaces suitable for filling by mineral solutions. For example, ore body group No 2 fills the disjunction where a nearly east-west tension structure and a northeast-northwest compression-torsion structure come together, while faults F_{33} and F_{22} , which are filled in by ore bodies IV and VI, result from superposition of a late east-west tension structure on an early compression-torsion structure.

No igneous rocks have been found in the ore area, but many rocks with flow striations arranged in a northwestward direction have been found in the southern and southeastern surroundings of the area.

2. Distribution, Form and Grade of the Main Commercial Deposits

We describe the two largest representative commercial deposits in the area, with different locations, different controlling fault types and different mineral compositions.

A. Ore Body VI

This ore body is located at the fault surface between the Hutian limestones and the Longtan coal series. The contact zone constitutes the F_{22} fault, which is the controlling and ore-containing structure; the fault plane dips to the SSE. Some of the rock on both sides of the fault plane has been crushed into an ungraded lenticular and foliate form and consists of green mudstone, talc and the like. The ore body was produced in the fault crush zone where fault F_{22} turns from steep to level or gently sloping. The deposit follows fault F_{22} westward into the Cretaceous red beds, where both the structure and the deposit rapidly wedge out; toward the east it also follows F_{22} into the Hutian limestone, but because the structure rapidly closes up, the deposit thins out rapidly until it disappears.

The deposit is primarily on an irregular lens shape, stratoid shape or lima-bean shape. The uranium and copper both occur within the same deposit, but the uranium mineralization occurs over a slightly greater range than the copper mineralization. Vertically the mineralization shows zonation, with the uranium mineralization generally occurring most abundantly in the lower middle, lower and base sections of the copper ore body, while the uranium concentration is low in the upper part of the copper ore body.

Abundant analytical data have already demonstrated that when the copper ore in the deposit is of high grade, the uranium and accompanying polymetal ores are also of high grade, and conversely; there are only a few exceptions. In addition, the grade of the uranium and copper ores is directly proportional to the thickness of the deposit, being higher when the deposit is thick and lower when the deposit is thin.

B. Ore Body II

Ore deposit No 2 is the general designation for a group of closely spaced deposits located in the Cretaceous red beds, of which ore body No II is the

largest. The general strike of the deposit is nearly north-south; it dips rather steeply to the west. The deposit occurs primarily in a NNW-running compression-torsion fault and an east-west tension-torsion fault crush zone and small subsidiary faults. This ore body consists of a series of short lenticular, lima-bean shaped, veined and saccate deposits. It is a group of blind uranium-rich, copper-rich deposits of extremely variable thickness and irregularly varying shape. Geodynamic analysis indicates that the ore-forming structure probably was produced by relative northwestward and south-eastward movement.

The ranges of the uranium and copper mineralizations are identical. Where the uranium mineralization is good, the copper mineralization is also good. The uraninite body actually is a mineral-containing body consisting of a multitude of uraninite blocks about 5-20 cm in diameter, with the spaces between the blocks filled by fragments of country rock. Sampling experience demonstrates that drill sampling does not provide a solution to the question of the nature of control of this ore deposit.

It has already been determined that when a section of this ore body consists entirely of extremely small lumps of chalcocite, the uranium mineralization drops off extremely rapidly; the uranium mineralization is best in the middle section of the ore body, becoming poorer where the deposit tapers off at the top and bottom. The occurrence characteristics of some such useful elements as silver, nickel, cobalt and bismuth are similar to those of uranium.

The immediate country rock of this ore body is fine Cretaceous calcareous sandstone, sandy limestone and limestone.

3. Ore Types, Fabrics, Structure and Composition

The ore types are classified according to associations of useful ore minerals and their content and include: 1. uraninite-chalconite ore; 2. uraninite-containing calaverite-chalcocite ore; 3. uranium-bearing chalcocite ore; 4. uranium-bearing malachite-cuprite ore.

These copper- and uranium-containing ores occur in crush-belt limestones, calcite veins and their strongly weathered derivatives in the form of networks of veins, breccias, impregnations, lumps, veins, colloids, rings, and in dispersed form.

Uranium phosphate and vanadate secondary minerals and copper-uranium silicates and carbonate ores occur primarily in the oxidation zone of the deposit (generally at depths less than 50-100 m).

The mineral types and formation series of the metallic ores are: pyrite--uraninite--cobaltite--aurotellurite--native silver--zinc blende--paulite--chalcocite--bornite--chalcopyrite--galena--native bismuth--hematite--blue chalcocite--cuprite--covellite--black uranium ore--malachite--altered copper-uranium-containing mica--aluminum-uranium mica--sengierite, and so on.

In the above minerals, copper is primarily present as the sulfide (primary ore zone), and silicates and carbonates (oxidation zone), forming different copper

ore complexes. The primary pitchblende (uraninite) forms fine veins and late carbonate-stage calcite veins in close association (Fig. 3).

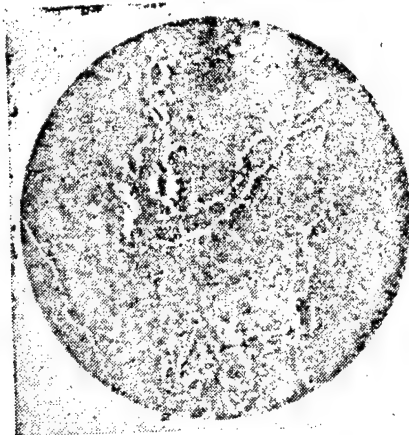


Figure 3. Close Association Between Fine-Veined Uraninite and Carbonatized Calcite (the white is uraninite and the gray is calcite; polished section, 100X)

Some of the uranium is present as impregnations in chalcocite and other minerals. Silver is present not only in the native form but as isomorphic inclusions in other minerals. Bismuth is present primarily in native form. Cobalt forms isomorphic inclusions in chalcocite, and after replacement by chalcocite it forms irregular columns and relict crystals. Cadmium and nickel are isomorphically dispersed in the chalcocite crystal lattice. Chalcopyrite occurs in chalcocite as small foliate inclusions and sometimes lattice-like structures in the two main cleavage defections in bornite. The main parageneses in the ore may be conveniently grouped as follows: copper-uranium-silver-nickel-cobalt-bismuth-cobalt, with uranium and copper predominating, and silver-cobalt-nickel-bismuth-cadmium, all of commercial value. Beneficiation and refining tests with large samples from ore body No II give the following results from repeated analysis of the crude ore (primary ore, samples all representative):

SiO₂ 39.48 percent, Al₂O₃ 5.13 percent, Fe₂O₃ 0.39 percent, FeO 3.42 percent, MnO 0.11 percent, TiO₂ 0.29 percent, CaO 12.25 percent, MgO 3.67 percent, Bi 0.002 percent, Co 0.039 percent, Cu 7.99 percent, U 0.194 percent, V₂O₅ 0.02 percent, Th 0.003 percent, CO₂ 16.49 percent, K₂O 0.67 percent, Na₂O 0.08 percent, Cd 0.001 percent, S 2.39 percent, P₂O₅ 0.23 percent, BaO 0.05 percent, As 0.17 percent, Ni 0.021 percent, H₂O⁻ 0.53 percent, Ag 505.13 g/ton, heating loss 13.31 percent, H₂O⁺ 2.26 percent.

The results of analysis of large samples from ore body VI are as follows:

U 0.093 percent, Cu 6.56 percent, Zn 14.63 percent, Cd 0.288 percent, Co 0.0146 percent, Ni 0.0195 percent, Ag 153.75 g/ton, SiO₂ 43.23 percent, Al₂O₃ 6.28 percent, TFe 2.34 percent, CaO 2.76 percent, MgO 0.765 percent, TiO₂ 0.265 percent, H₂O⁻ 1.18 percent, S 2.45 percent, As 0.19 percent, Sb 0.065 percent, Cr 0.039 percent.

In general terms, throughout the area the copper mineralization and area of abundance basically coincide with the area of abundance of uranium and the useful accessory elements; where there is a good copper mineralization, the mineralization of uranium and useful elements such as silver, nickel, cobalt and bismuth is also good, and their occurrences are in direct proportion to one another (Fig. 4).

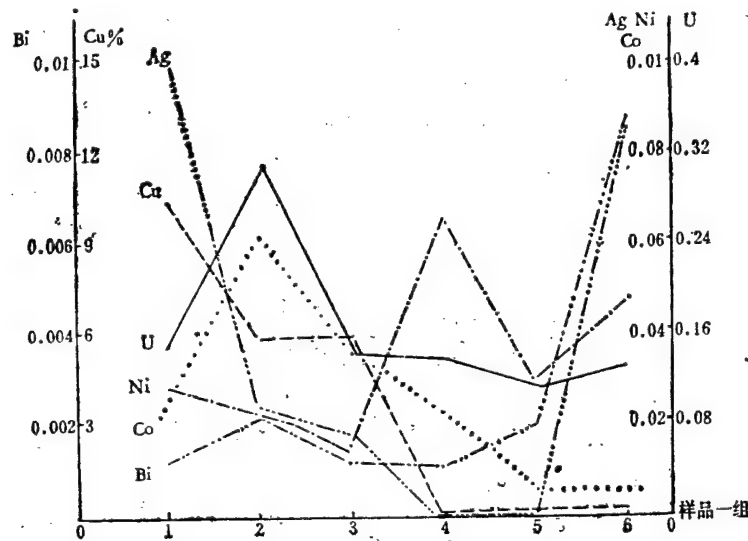


Fig. 4. Grade of Ore in Ore Body II, Middle Section, 4

4. Hydrothermal Alteration and Its Relation to Mineralization

The main types of hydrothermal alteration within the field which are relevant to the ores are silicization and carbonization, and secondarily, fading (Figs. 5 and 6).



Fig. 5. Veined and Reticulated Ore Chalcocite (black) replacing fault breccia, mineral in colloidal form filling space or cracks in carbonized and silicitized limestone breccia.

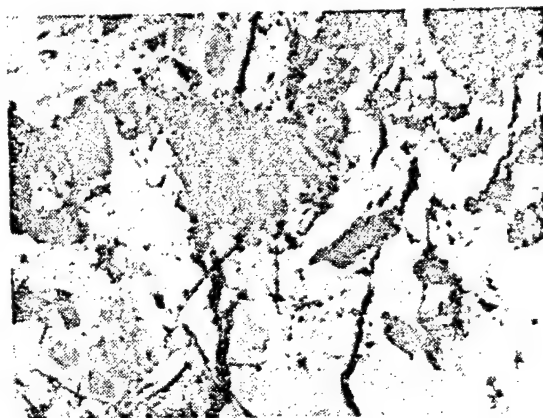


Fig. 6. Faded Altered Breccia. Chalcocite, bornite (black) in form of veins in silicitized clay rock, with silicate clay rock adjoining mineral veins faded to brown color as a result of alteration, while central section retains dark-colored primary rock.

Ore body VI, the largest in the field, and the Hutian dolomitic limestones and Yangxin limestones in the hanging wall of the F₂₂ fault which contains and controls it, are everywhere silicatized and carbonatized. The degree and type of alteration vary regularly with distance from the ore body. The closer to ore body VI, the more extensive the silicatization, while carbonatization occurs somewhat farther away from it. The red beds in the vicinity of ore body VI have faded as a result of hydrothermal action.

This silicatization has changed the Hutian limestones in the ore area into microquartzites, and in some areas relicts of unaltered limestone blocks can be seen in quartzite; carbonatization has resulted in the formation of large numbers of calcite veins of different periods.

Under the microscope the uranium-copper ores show a colloidal appearance with fine veins and networks filling in the spaces between the breccia fragments. These mineralization-surrounded breccias became silicatized limestones and silicatized microquartzites as a result of hydrothermal alteration (Fig. 5). Because the edges of the rocks fragments in some of the mineralized breccias faded as a result of hydrothermal action, light gray margins have been formed. The close association between fine uraninite and chalcocite veins and calcite veins can also be seen. The principal vein mineral in most uranium ore in the area is calcite.

The alteration generally developed along fracture and crush zones through which the mineral solution penetrated; where it is not closely associated with the nature of the structures, the extent of alteration clearly has a close correlation with the lithology and granularity of the enclosing rocks.

Alteration of the enclosing rock around almost all ore bodies involves silicatization and carbonatization, not only within the ore body, but also in concentrated form in the roof rock and in the hanging walls of fractures containing mineralization, particularly in the Hutian limestones. This indicates that a clear action of emanations in the mineralization process; the nature of the mineralization stems primarily from relatively deep-seated and relatively mineral-containing source rock, which during regional fault displacement accumulated extensively in favorable structures in the mineral area.

<u>Sequence</u>	<u>Mineralization Stage</u>	<u>Corresponding Hydrothermal Alteration</u>
1.	Cadmium-containing zinc blende stage	Silicatization and carbonatization
2.	Uraninite stage	Carbonatization
3.	Lump chalcocite stage	Silicatization and carbonatization
4.	Uranium ore, chalcocite and accessory component stage	Silicatization, carbonatization, fading, hematitization
5.	Colloidal chalcopyrite and zinc blende stage	Fading

5. Conclusions

Since this mineral area is a blind copper-uranium-polymetal deposit which is rather far from granite intrusions and which belongs to the medium- and low-temperature hydrothermal type, the deposits were subject to strict control by low-order tension and shear faults, compression-torsion faults and faults associated with the overturned fold as well as lower-order tension-torsion faults, and accordingly the most important in surveying the host rock and neighboring belts of deposits of this type is to discover and investigate the ore-transmitting, ore-containing and ore-controlling structures related to ore mineralization (including latent structure). In the structural location suitable for mineralization there must be intense alteration of the nearly enclosing rock, closely associated with the ore formation; only the combined physical, chemical and radiological surveys of these types of regions (including areal geophysical surveys) will yield excellent results.

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CSO: 4013/100

DOMESTIC TRADE

SITUATION OF RURAL MARKETS IN SUMMER SURVEYED

Beijing ZHONGGUO JINRONG [CHINA'S BANKING] in Chinese No 13, 4 Jul 82 pp 4-6

[Article by the survey group of the Meitan County People's Government, Guizhou Province: "Survey of Summer Rural Market Situation"]

[Excerpt] New Changes in the Rural Markets This Summer

Through sample surveys and integrated analysis we predicted new changes in the rural markets in the county this summer, summarized as "two concentrations," "three increases," and "three changes."

The "two concentrations" are the concentration of the time for buying rapeseed and the concentration of putting money into circulation. As concerns buying rapeseed, this year among commune members there are generally fears that the state will lower its purchasing price and that the state will stop buying because storage facilities are full. Thus, there is a new situation of rushing the harvest, rapid drying, and early selling so that the buying time will be more concentrated than last year and thus the consequent putting money into circulation will be more concentrated. It is estimated that in June the amount of money put into circulation as a result of buying rapeseed will increase 61 percent over the same period last year.

The "three increases" are increased money in circulation, increased buying power of commune members, and increased ready money in the hands of the masses, all from the purchase of agricultural sideline products. From May to July the gross value of state purchases of agricultural sideline products from these 12 brigades [7130] will reach 165,000 yuan, an average of 571 yuan per household and an increase of 32 percent over the same period last year. Income of commune members will increase 23 percent over the same period last year. Apart from commune member income going to pay off loans, increase savings, and other expenses, the overall purchasing power will be about 111,000 yuan, or 372 yuan per household, an increase of 27 percent over the same period last year. According to a survey of 34 households in the Huaping production brigade, Baojiawan, Xinglong District, at the end of March this year ready cash in the hands of commune members averaged 148.6 yuan, or 27.4 yuan per person, an increase of 70 percent over the same period last year.

The "three changes" are changes in the direction of purchasing power, changes in the demand for goods, and changes in the makeup of retail commerce. Changes in the direction of purchasing power are mainly: the proportion of purchases of means of production will drop to 34 percent, from last year's 38 percent, the main reason being that after the rapeseed was bought last year, the means of production of most commune members were basically complete. The magnitude of increases in purchases of household goods is: items of use by 28 percent, clothing by 37 percent and food by 28 percent. This demands that we plan production, buying, and supply in the light of these changes. The changes in the demand for goods is expressed mainly in commune members' heightened selectivity of goods, generally demanding high quality, durable, inexpensive and in style; the demand for chemical fertilizer supply is large in volume and seasonable. The change in the makeup of retail commerce is expressed as a proportional decline in state-run and collective commerce and a proportional increase in individual commerce. On the basis of our sample survey, we predict that this year the proportion of state-run and collective business will drop from last year's 78 percent to about 70 percent. The main reason is that in these areas individual businesses have increased greatly: in the first quarter of this year alone, individual businesses have increased by 102, and due to management problems of state-run commerce and supply and marketing cooperatives they have not taken full advantage of their superior position, and their guiding role in the entire market has been weakened.

Three Unsuitables in Economic Work

Our country's economic work has great achievements in supporting the development of industrial and agricultural production and expanding sales, but there are still certain discrepancies regarding the demands of the presently developing situation--in sum, there are three unsuitables.

The first is that the volume of goods that can be supplied is unsuited to the increase in purchasing power. According to our survey forecast, from May to July the purchasing power for rural goods which the state-run and supply and marketing cooperatives should assume is 12.11 million yuan, a 21 percent increase over the same period last year, but state-run and supply and marketing commerce has only 9.95 million yuan of goods in stock, so that if all the goods were sold, they would still be 2.16 million yuan short. The stocks of short supply and high demand goods are insufficient; there is an excess supply of some goods, but there is no market for the varieties, quality and style and they do not suit the purchasing power. The distribution of goods between city and countryside is not rational. Of the stocks of state-run and supply and marketing cooperatives in the county, 34 percent are held by county-level companies and 66 percent by county-level supply and marketing cooperatives, and this is not suited to the fact that over 70 percent of the purchasing power will be in the rural areas.

The second is that the management of enterprises is not suited to the demands of the new situation. The prevailing opinion among the masses is that there are "five not as's" regarding some state-run and cooperative grassroots level firms as compared to individual businesses: the business hours are not

as long, the service attitude is not as good, the number of outlets is not as large, the varieties are not as uniform, and the market information is not as effective. The organization of goods in stock is not rational. According to statistics, by the end of this March, 27 percent of the goods in stock of state-run companies and supply and marketing cooperatives were problematical. The main reasons for this are many duplicate orders, so that supply exceeds demand, and great changes in market demand. At the same time, stocks of some goods appear to be insufficient; for example, the range of adult and children's clothing is not complete, there are too few minor household items, and the varieties handled by retail outlets are not uniform. In addition, market management is not good, prices are chaotic and the appearance is not neat.

Third is that the ideology of some comrades and some leadership teams is not suited to the demands of the new situation. Some comrades have not devoted enough study to the new characteristics and changes in the rural areas, some leadership teams cannot lead vigorously, and the economic responsibility system is not in very good shape.

8226

CSO: 4006/562

DOMESTIC TRADE

'XINHUA' CARRIES PRC TRADEMARK LAW

OW030415 Beijing XINHUA Domestic Service in Chinese 0015 GMT 25 Aug 82

[Text] Beijing, 25 Aug (XINHUA)--The Trademark Law of the People's Republic of China

Chapter I: General Principles

Article 1

This law is especially formulated in order to strengthen the supervision of trademarks, protect the right to use a specific trademark, urge the producers to ensure product quality and maintain the reputation of the trademark so as to protect the consumers' interests, and promote the development of socialist commodity economy.

Article 2

The trademark bureau of the industrial and commercial administrative departments under the State Council is in charge of the registration and supervision of trademarks in the country.

Article 3

A trademark approved by the trademark bureau for registration is a registered trademark. The person who registers the trademark is entitled the right to use the specific trademark and is protected by the law.

Article 4

An enterprise, institution, individual industrialist or businessman should apply for the registration of a trademark at the trademark bureau in order to obtain the right to use the specific trademark for the commodity produced, manufactured, processed, selected or sold by the enterprise, institution, industrialist or businessman.

Article 5

A commodity designated by the state to be labeled with a registered trademark must have an application submitted for the registration of its trademark and must not be sold in the market without approval of the registration.

Article 6

A person who uses a trademark must be responsible for the quality of the commodity labeled with the trademark. Industrial and commercial administrative departments at various levels should control commodity quality through supervision of trademarks in order to clamp down on fraudulent practices against the consumers.

Article 7

The wording, graphic design or their combination used for a trademark must have outstanding characteristics so that it can be easily identified. A trademark for which registration has been completed must be labeled with "registered trademark" or registered mark.

Article 8

The following wordings and designs must not be used for trademarks:

1. Wordings and designs that are identical or similar to the national name, flag, emblem, army flag and decoration of the People's Republic of China;
2. That are identical or similar to the name, national flag, emblem and army flag of a foreign country;
3. That are identical or similar to the flag, insignia and name of an intergovernmental international organization;
4. That are identical or similar to the symbols of the "Red Cross" or "Red Crescent";
5. That are the common name and common design of the commodity;
6. That directly indicate the quality, main ingredients, efficacy, usage, weight, quantity and other features of the commodity;
7. That discriminate against national minorities;
8. That are exaggerated and deceptive; and
9. That are harmful to social morality or have other harmful effects.

Article 9

A foreigner or foreign enterprise applying for the registration of a trademark in China should follow the procedures in accordance with the agreement signed between his own country and the PRC, an international treaty signed by both countries, or reciprocal principles.

Article 10

A foreigner or foreign enterprise should entrust the organization designated by the state as the agent to apply for the registration of a trademark and handle other business affairs.

Chapter II: The Application of the Registration of A Trademark

Article 11

Those applying for the registration of a trademark should submit, in accordance with the commodity classification chart, the category and the name of the commodity for which a trademark is being applied.

Article 12

A person applying for the use of the same trademark for two different categories of commodities should submit separate applications for the registration of the trademark in accordance with the commodity classification chart.

Article 13

It is necessary to apply separately for the registration of a registered trademark to be used for other commodities of the same category.

Article 14

It is necessary to renew the application for the registration of a registered trademark whose wording or design need to be changed.

Article 15

It is necessary to submit an application of amendment should the title or address of the registrant or other registered items need to be changed.

Chapter III: The Examination and Approval of the Registration of a Trademark

Article 16

A trademark for which registration is being applied and which meets relevant requirement of this law will be published after preliminary examination by the trademark bureau.

Article 17

Application for the registration of a trademark which fails to meet relevant requirement of this law or is identical or similar to a registered trademark or to a trademark having passed the preliminary examination submitted by other persons for the same or similar commodity will be rejected by the trademark bureau. The trademark will not be published.

Article 18

In the event applications are submitted by two or more applicants for the registration of identical or similar trademarks of the same commodity or similar commodities, the application which is submitted first for the trademark will be given preliminary examination and published. In the event that the applications are submitted on the same day, the trademark which is in use first will be given preliminary examination and published. Other applications will be rejected and will not be published.

Article 19

Anyone can raise an objection against a trademark which has been given the preliminary examination within 3 months after it is published. When there is no objection, or the objection is overruled, the trademark will be approved for registration, issued with a trademark registration certificate and published. If the objection is sustained, the registration will be rejected.

Article 20

A trademark reviewing committee set up by the industrial and commercial administrative departments under the State Council is responsible for handling disputes concerning trademarks.

Article 21

The trademark bureau should notify by written notice the applicant for registration of a trademark which has been rejected and not published. If the applicant disagrees with the rejection, he may apply for reexamination within 15 days after he receives the notification. The trademark reviewing committee will make the final decision and notify the applicant by written notice.

Article 22

When an objection is raised against a trademark which has been given preliminary examination and published, the trademark bureau should listen to the facts and reasons cited by both the person who lodges the objection and the applicant and, after investigation and verification of facts, make a ruling on the case. If the person concerned disagrees with the

ruling, he may apply for reexamination within 15 days after he receives the notice. The trademark reviewing committee will make the final decision and notify both the person who lodges the objection and the applicant by written notice.

Chapter IV: The Extension and Transference of a Registered Trademark and the Permission to Use It

Article 23

The period of validity of a registered trademark is 10 years, counting from the day the registration is approved.

Article 24

Application for extension of a registered trademark should be made 6 months before its expiration. A 6-month grace period will be given to those who fail to submit the application during the period. A registered trademark will be canceled after the application for its extension is not made during the grace period.

The validity of a registered trademark will be extended 10 years after each renewal.

Renewal of the registration will be published after the application is approved.

Article 25

The transferor and the transferee should jointly submit the application to the trademark bureau for the transference of a registered trademark. The transferee should guarantee the quality of the commodity using the registered trademark.

Transference of a registered trademark will be published after the application is approved.

Article 26

The registrant of a registered trademark may, through signing a contract permitting the use of the trademark, allow other people to use the registered trademark. The person granting the permission should supervise the quality of the commodity of the person receiving permission to use the trademark. The person receiving the permission should guarantee the quality of the commodity using the registered trademark.

It is necessary to report to the trademark bureau, for the record, the signing of a contract permitting the use of a trademark.

Chapter V: Ruling on Disputes Over Registered Trademarks

Article 27

When there is a dispute over a registered trademark, an application for a ruling may be submitted to the trademark reviewing committee within 1 year starting from the day the trademark's registration is approved.

After receiving an application for a ruling, the trademark reviewing committee should notify the party concerned to defend itself within a specified period.

Article 28

In the case of a trademark which has received a ruling after an objection has been raised prior to its registration, applying for a ruling by citing similar facts and reasons shall not be permitted.

Article 29

After making a final ruling on either sustaining or canceling the disputed registered trademark, the trademark reviewing committee should notify the concerned party by written notice.

Chapter VI: Control Over the Use of Trademarks

Article 30

When the users of registered trademarks are found to have committed one of the following acts, the trademark bureau will either order them to make a correction within a specified period or cancel their registered trademarks:

- (1) Changing the wording design or composition of a registered trademark without authorization;
- (2) Changing the name and address of the person in whose name the registered trademark is registered or changing other registered items without authorization;
- (3) Transferring a registered trademark to another person without authorization;
- (4) Not using the registered trademark for 3 years consecutively.

Article 31

When the user of a registered trademark is found to deceive consumers by advertising low-grade products as high-quality products, the industry and commerce administrations at various levels will, in accordance with the

different circumstances, order the party concerned to make a correction. The party concerned may be given a notice or fined, or its registered trademark may be canceled by the trademark bureau.

Article 32

When a registered trademark is canceled or when it is not extended after expiration, the trademark bureau will not approve, within 1 year starting from the day it is canceled or annulled, an application for the registration of a trademark similar to or resembling the canceled one.

Article 33

Violators of the provisions contained in Article 5 of this law may be subject to a fine or may be ordered by local industry and commerce administrations to submit registration applications within a specified period.

Article 34

Users of unregistered trademarks who are found to have committed one of the following acts will be ordered by local industry and commerce administrations to stop using unregistered trademarks and make a correction within a specified period, or they may be notified or subject to a fine:

- (1) Passing an unregistered trademark off as registered;
- (2) Violating the provisions contained in Article 8 of this law;
- (3) Cheating consumers by advertising low-grade products as high-quality products.

Article 35

When the party concerned is not satisfied with the trademark bureau's decision on canceling a registered trademark, it may submit an application for reexamination within 15 days after receiving the notice. The trademark reviewing committee shall make a final decision and notify the applicant by written notice.

Article 36

When the party concerned refuses to accept a decision on a fine made by a local industry and commerce administration in accordance with the provisions contained in Articles 31, 33 and 34 of this law, it may appeal to a people's court within 15 days after receiving a notice, but if it does not appeal and refuses to pay the fine after the period of 15 days, the industry and commerce administration concerned will ask the people's court to order a compulsory execution of its decision.

Chapter VII: Protection of Registered Trademark Patents

Article 37

Patents to registered trademarks are limited to trademarks whose registration has been approved and to products whose use has been appraised and approved.

Article 38

Any one of the following acts is considered a violation of patent rights to registered trademarks:

- (1) Using, without the permission of the owner of a registered trademark, a trademark similar to or resembling the registered trademark on a similar product or on a product of the same kind;
- (2) Arbitrarily manufacturing or selling trademark labels registered by another person;
- (3) Causing other forms of damage to another person's patent right to a registered trademark.

Article 39

A person whose patent right to a registered trademark has been infringed upon in any one of the ways described in Article 38 of this law may request the industry and commerce administration at and above the county level in the area where the infringer of his right resides, to handle the case. The industry and commerce administration concerned has the right to order the infringer to immediately cease acts infringing upon other people's patent rights to a registered trademark and to compensate the person whose registered trademark patent right has been infringed upon for losses. The amount of compensation is determined by the amount of profit made by the infringer during the right infringing period, or by the amount of losses suffered by the person whose patent right is infringed upon during the right infringing period. In serious cases the infringer may be subject to a cash fine. When the party concerned does not agree with a decision, it may appeal to a people's court within 15 days after receiving a notice. If it does not appeal and refuses to pay the fine after a period of 15 days, the industry and commerce administration concerned will ask the people's court to order a compulsory execution of its decision.

A person whose registered trademark patent right has been infringed upon may also directly file a lawsuit with a people's court against the person who infringes upon his right.

Article 40

A person who falsifies another person's registered trademark, including arbitrarily manufacturing or selling trademark labels registered by another person, shall be asked to pay compensation and may also be subject to a cash fine. Judicial organs will prosecute according to law the person who is directly responsible.

Chapter VIII: Supplementary Articles

Article 41

Applicants who apply for trademark registration and who handle other matters in connection with trademarks should pay for the expenses. The specific standard for the amount of fees to be paid will be set separately.

Article 42

The details on the enforcement of this law were drawn up by the State Council's administration of industry and commerce and have been submitted to the State Council for approval and implementation.

Article 43

This law will come into force on 1 March 1983. The regulations on the control of trademarks promulgated by the State Council on 10 April 1963 will be abolished at the same time; other provisions concerning the control of trademarks that are in conflict with this law will be simultaneously annulled.

Trademarks already registered before the enforcement of this law will continue to be effective.

CSO: 4006/636

DOMESTIC TRADE

BRIEFS

NINGXIA 1981 TRADE FIGURES--In the government work report, Chairman Ma Xin [7456 0207] of the Ningxia Hui Autonomous Regional People's Government states that in 1981 the region's trade, both buying and selling, was brisk in all cities and rural areas, the plan of foreign trade was overfulfilled, the work of minority nationality trade was strengthened, and country fair trade became increasingly active. The policy is to "develop economy and insure supply." Planned management is stressed, while market regulation plays an auxiliary role. In 1981, the region's retail sales amounted to 835.85 million yuan, showing an increase of 6.5 percent over that of the previous year. The procurement of grain and oils was speedy and successful up to the end of March this year, the stock of grain reached 332 million jin, exceeding the annual plan by 18.6 percent. The state purchase of grain at negotiated prices nearly doubled that of the same period in last year. The procurement of oils and fats reached 13 million jin, exceeding the annual plan by 62.5 percent. The gross purchase value of farm and sideline produce amounted to 195 million yuan, showing an increase of 24.2 percent over that of the previous year. The total value of goods purchased for export abroad reached 62.5 million yuan, showing an increase of 33 percent over that of the previous year. The trade of minority nationalities was boosted to some extent. The regional government appropriated funds for the further establishment of a number of restaurants for Hui people, Muslims' pastry workshops, nonstaple food, beef and mutton retail shops, and cattle and sheep slaughter and cold storage houses. The region's total amount of fair trade transactions reached 76.73 million yuan, showing an increase of 50 percent over that of the previous year. All transactions of grain and oils, livestock, hide and means of production increased on a fairly large scale in comparison with the previous year. [Text] [Yinchuan NINGXIA RIBAO in Chinese 27 Jun 82 p 1] 9039

JIANGSU CONFERENCE ON ADVERTISING WORK--From 21 to 24 June, Jiangsu Province held the first conference on advertising work since the founding of the people's republic, summed up and exchanged experiences, and drew up a plan for the work of reorganization in the advertising trade throughout the province. Since the Third Plenary Session of the CCP 11th Central Committee, the advertising work of our province has played a positive role in the fields of promoting production, expanding circulation, giving guidance to consumers, activating the economy, making living easy for the people, and developing foreign trade. The advertising business units have made great efforts to raise the ideological level of advertising design, and turned out not a few fine works. However, as the necessary rules, regulations and unified

management are lacking, the trade has no rules to follow, and the business units each do things in their own way. There is some confusion regarding the content, design and business of advertising, which creates a bad impression. The conference drew up a specific plan for the reorganization of advertising work in Jiangsu Province, underlining that all advertising business units must adhere to the orientation of socialism, follow the state economic policy and propaganda policy in advertising propaganda, and serve socialist material and spiritual civilization. All advertising business personnel must have a high sense of responsibility for the people, pay attention to the truthfulness and scientific quality of advertising, and resolutely put an end to acts of trickery to cheat users and the broad ranks of consumers. It is necessary to reorganize the ranks of advertising personnel, and gradually increase their number and strengthen their organization. All industrial and commercial executive and administrative departments at various levels should tighten their supervision over the work of advertising, correct practices in violation of the "provisional Rules for the Control of Advertising" issued by the State Council, ban those units which have seriously violated the rules and refused to mend their ways despite repeated admonition or which are fundamentally not qualified for advertising business, give encouragement to good advertising business units, continuously improve the quality of advertising work, and promote the prosperity of the advertising enterprise. [By Jiang Chengjian [1203 2052 7003] and Gu Jiashi [7357 1367 0099]] [Text] [Nanjing XINHUA RIBAO in Chinese 30 Jun 82 p 2] 9039

CSO: 4006/540

FOREIGN TRADE

ARTICLE ON FOREIGN ECONOMIC RELATIONS, TRADE

Part One

OW051425 Beijing Domestic Service in Mandarin 2320 GMT 2 Sep 82

[First half of article by (Zhao Xiping): "Foreign Economic Relations and Trade Since the Implementation of the Open-Door Policy"]

[Excerpts] The 3d plenary session of the 11th party central committee made the policy decision of opening to the outside world. This is of very great strategic significance to further developing our foreign economic relations and trade and promoting the socialist modernization drive.

In the past more than 3 years, the foreign economic relations and trade front has firmly implemented the party's policy of opening to the outside world and achieved encouraging results. To further develop economic relations and trade with foreign countries, it is very necessary now to sum up our experience in this field.

Let's discuss the first question: Major successes achieved in economic relations and trade with foreign countries since the implementation of the policy of opening to the outside world.

1. Considerable development has been made in export trade. Our country's total exports reached \$20.9 billion in 1981, a 120 percent increase over 1978. Exports in the first half of this year totaled \$10.22 billion, an increase of 10.2 percent over the same period last year.

The rapid growth of export trade has obvious effects on our country's economic construction. It provides the country with needed foreign exchange to import advanced technology, equipment, market commodities and make repayment on time of principal and interest on foreign loans and strengthened the country's exchange payment ability. At the same time, the growth of export trade has provided more job opportunities.

2. Import trade has grown steadily and soundly. While readjusting the national economy, we have actively developed import trade since the 3d plenary session of the 11th party central committee. Imports totaled

\$19.1 billion in 1981, nearly double that in 1978. Imports in the first half of this year dropped slightly from the same period last year, as a result of lower international market prices of imported goods and reduced imports of complete sets of equipment by our country. Imported advanced technology and equipment as well as advanced management experiences have produced obvious results in transforming our industrial technology, filling in certain gaps in industrial production, promoting scientific and technological progress, increasing economic returns of enterprises and accelerating national economic development.

3. We have actively used foreign investment to make up for the lack of funds for construction. Under the guidance of the principles of actively and prudently using foreign investment, from 1979 to June this year, we have through joint ventures with Chinese and foreign investment and other ways used foreign investments totaling \$9.46 billion, of which \$5.5 billion has been paid back. Although we have used foreign capital only for not too long a period and the amount is not very large, it has already produced good initial results on the national economy.

4. A good beginning has been made in contracting for construction projects and technical and service cooperation with foreign countries. In addition to direct service cooperation, there are also indirect service cooperation contracts. For example, the processing of materials for foreign businessmen, assembling work and so forth. The foreign exchange earned and turned over to the state from these contracts totaled nearly \$200 billion in 1981.

5. We have actively developed economic and technical cooperation with third world countries. Take our foreign aid medical teams for example. From 1963 to the end of June 1982, China has dispatched foreign aid medical teams to 41 countries and areas in Asia and Africa, and more than 6,200 team members have served in these countries and areas. At present, China is still fulfilling medical service agreements or contracts signed with 33 countries and areas, and 34 medical teams with a total of more than 1,000 team members are working at 85 medical centers to treat diseases of the people of the host countries. From now on, we should continue to firmly and unwaveringly implement our country's consistent foreign affairs policy, strengthen unity and cooperation with third world countries, oppose hegemonism and safeguard world peace.

6. We have set up special economic zones on an experimental basis. In implementing the policy of opening to the outside world, we have designated specific areas in Guangdong's Shenzhen, Zhuhai and Shantou and Fujian's Xiamen to set up special economic zones on an experimental basis. Our purpose in having the special economic zones is to use more foreign investment, import more technology, expand exports, increase job opportunities and foreign exchange earnings and do a better job in drawing from foreign management experiences. As of the end of 1981, construction of the infrastructure had begun step by step in all the four special economic zones. Twenty-two factories have been set up in the Shekou industrial district in Shenzhen special economic zone, which is regarded by the state as the

key experimental special zone, had absorbed foreign investments totaling HK\$7.77 billion, built 989 cooperation projects between Chinese and foreign interests, imported 10,000 sets of various equipment and received 60 million yuan in government charges and profit-sharing.

7. We have begun to gain some experience in restructuring the foreign trade system at selected units. At present, on the basis of affirming achievements, we should conscientiously sum up experiences and lessons and achieve still better results in restructuring the foreign trade system.

Part Two

OW052330 Beijing Domestic Service in Mandarin 2320 GMT 3 Sep 82

[Second half of article by (Zhao Xiping): "Foreign Economic Relations and Trade Since the Implementation of the Open-Door Policy"]

[Excerpts] The following is a discussion of the second question: Positively implement the policy of opening to the outside world and vigorously develop foreign economic relations and trade.

Unified leadership, overall planning, flexible reaction, strict discipline, differentiation of situation and adherence to principles are the general principles of our work in developing foreign economic relations.

It has not been long since our country carried out the policy of opening to the outside world in economic affairs, and we still lack experience. Some aspects of this work have not yet been developed, and the experience gained in work already performed should be conscientiously summed up. Under the present conditions, how can we succeed in correctly enforcing the general principles of foreign economic relations, positively implementing the policy of opening to the outside world and vigorously developing foreign economic relations and trade? Mainly, there are the following several points:

1. Unified understanding. Our country is a country with a vast territory and a large population. It is economically and technologically backward, its productivity is underdeveloped and the scale of its development of foreign economic relations and trade is not large either. Besides, feudalism has long since occupied a dominant position and the habitual forces of the small peasant economy are still considerably influential. Objectively therefore, problems in understanding the implementation of the policy of opening to the outside world easily arise.

However, there is another viewpoint which maintains that persistent implementation of unified planning, unified policy and a unified method of dealing with the outside world in the activities of foreign economic relations and trade is not necessary and is an obstacle to enlivening foreign economic relations and trade. Such an understanding is mistaken and is

detrimental to correctly implementing the policy of opening to the outside world in economic affairs. At present, when some preliminary reforms in the foreign trade system have been carried out and foreign trade management powers have been transferred to lower levels, it is especially necessary to pay attention to adhering to the "three unify" principle and it is impermissible to set "unified control" against the enlivening of foreign trade. It should be noted that only by conscientiously adhering to the "three unify" principle can activities in our country's foreign economic relations and trade be methodically and soundly developed and blindness and a situation in which each does things in his own way be avoided.

2. Vigorously develop the production of export commodities and perform the work of purchasing export commodities well. The foreign exchange received from export commodities is the main source of our country's foreign exchange income. In the past, with support from various circles, our country has successively established 24 consolidated export commodity production bases, over 90 single-item commodity export bases, 94 special export plants, 9 joint industrial and trade enterprises and 1 Chinese-foreign joint-venture enterprise. These production bases, special plants and special workshops have provided large quantities of export commodities for foreign trade. In 1981 the export commodities they provided accounted for approximately 22 percent of the total amount of the country's foreign trade procurement.

Secondly, continue to do a good job in the reexport of products processed from imported materials. In recent years, we have made relatively rapid developments in this aspect. In 1980 the total amount of exports of products processed from imported materials was 10.83 billion yuan, accounting for approximately one-third of the total amount of our country's exports in that year. This amount increased in 1981 by approximately 23 percent over that in 1980. In the future, if only we make some more reasonable arrangements in policies, taxes and other aspects, we will have much to accomplish in this aspect of work.

3. It is necessary to strengthen control. In implementing the policy of opening to the outside world, some reforms have been carried out in the foreign trade system, which have played a definite role in arousing the enthusiasm of the various circles. However, at the same time, because the measures of control have not yet been formulated to meet the needs of such reforms, some chaotic phenomena have appeared in foreign trade work. Their main manifestations are: as a result of the multiple and blind methods of dealing with the outside world and the indiscriminate marking-up of prices in the procurement of commodities in the country, the cost of export commodities was increased and the fulfillment of the plans for purchasing and transferring export commodities within the scope of certain programs was adversely affected.

In the marketing of products abroad, self-competition and reduction of sales prices have affected the normal prices of our country's export

commodities, thus making profits only for foreigners. In import activities, the marking-up of prices in procurement and blindly importing daily-use consumer articles that could be produced in the country have squeezed and suppressed the domestic industrial production and adversely impacted on domestic markets. Although the above-mentioned chaotic phenomena are not of an overall nature, they have brought about tremendous losses in our country's economy and ill effects on its political situation.

4. Conscientiously perform well the work of dealing blows to serious illegal and criminal economic activities and strengthen education in the discipline of foreign affairs. With our country's implementation of the policy of opening to the outside world, the number of cases in which some illegal elements at home and abroad colluded with one another in carrying out smuggling, selling of smuggled goods, embezzlement, accepting bribes, speculation, fraud and other serious crimes undermining the socialist economy has somewhat increased. The spiritual poisons that propagate degenerate bourgeois ideology and ethics have made their way into the country through the open-door policy. Some of our personnel, or even some communist party members, have forgotten the lofty communist ideals and the party's fine traditions of hard struggle, plain living and honestly performing official duties and have privately accepted invitations, gifts and bribes from foreign traders. Worse yet, the number of cases of soliciting bribes has somewhat increased. Such phenomena were manifestations of class struggle in the economic sphere under the new historic conditions, and failure to be vigilant against them will allow them to seriously undermine the building of our country's socialist material and spiritual civilizations.

Now the party central committee has formulated a series of correct policies and measures for developing foreign economic relations and trade after putting forward the policy of opening to the outside world. The people throughout the country have also given deep concern and support for the cause of developing foreign economic relations and trade. This is a very good situation. If only we truly unify our ideology and understanding, and develop our achievements and overcome our shortcomings on the basis of conscientiously summing up the implementation of the policy of opening to the outside world, we will certainly be able to open up a new situation in foreign economic relations and trade.

CSO: 4006/636

FOREIGN TRADE

PROBLEMS IN REFORMING FOREIGN TRADE SYSTEM DISCUSSED

Beijing CAIMAO JINGJI [FINANCE, TRADE AND ECONOMICS] in Chinese No 6, 15 Jun 82 pp 44-48

[Article by Liu Mingxin [0491 2494 0207], Zhang Chuanfang [1728 0278 5364], and Wang Chengfeng [3769 2110 0023]: "Certain Problems Concerning Reform in Foreign Trade System"]

[Text] Foreign trade is an important component of the national economy. While the economic restructuring is in progress, we have carried out some necessary reform in the former foreign trade system in recent years in order to fully utilize the international market and to better serve socialist modernization.

I. Several Main Forms of Reform

1. Combination of industry and foreign trade by production enterprises and specialized foreign trade companies in a joint effort to develop foreign trade. As far as the form of foreign trade is concerned, this integration is still based on the procurement system. This is a rudimentary form of industry-foreign trade combination. Basically, the foreign trade company is the principal party to discuss business with foreign merchants and to sign contracts. In settling accounts with the production enterprises, the foreign trade company still uses renminbi. However, there is a difference. Through the combination of industry and foreign trade, the China National Machinery and Equipment Import and Export Corporation and its branches in Tianjin and Shanghai have arranged for the plant to participate in the negotiations. This is a breakthrough in the purely procurement system. The main job of the foreign trade departments is to conduct negotiations on prices and to handle other business affairs, thus bringing into play their good knowledge of prices in foreign sales and of the forms of trade and payment in foreign currency; and the main job of the plants is to negotiate on the technical conditions and the delivery of goods, thus bringing into play their knowledge of the technical standards, the manufacture of goods, and the production costs; and their other strong points. Through this arrangement, even knotty technical problems can be quickly solved on the negotiation table. The negotiation can then be carried on smoothly and the agreements can be signed more quickly. There are three advantages in an industry-foreign trade combination: 1) Direct contact between production and demand leading to an early execution of contracts; 2) mutual support for the prompt fulfillment of contractual obligations; and 3) mutual cooperation in keeping abreast of market conditions.

2. Combined management in foreign trade by industrial companies and import-export companies. In accordance with the principle of "four combinations and two publicities," (namely, combined efforts in handling business affairs, combined investigation abroad, combined negotiations with foreigners, and combined planning for production; and publicity on the plants' production costs and publicity on sales prices) the combination of industry and foreign trade has brought production and demand face to face. This eliminates the unnecessary intermediate links and helps to raise work efficiency in the effort to expand export. For example, the Electrical Machinery Company and the Shanghai branch of the China National Machinery and Equipment Import and Export Corporation formed a combined management, and the office of this management became an import-export entity. Its task is to implement the foreign trade policies, to invite customers to discuss business transactions, to organize production, to fulfill the contracts and to take care of the delivery and consignment of goods. Under this kind of combined management, there is an internal division of work for the production enterprise and the foreign trade organ, according to their own business characteristics. The Electrical Machinery Company is responsible for conducting negotiations, organizing the sources of goods and developing new varieties; while the machinery and equipment import and export company is responsible for conducting commercial business negotiations, reporting on prices, settlement of foreign accounts, delivery and consignment of goods, and so forth. The original business contacts between the two parties remain unchanged, and the accounts between them are settled in the form of procurement system, with each carrying out its own independent accounting. This combined management of foreign trade is a transitional form in the reform of the foreign trade system.

3. Foreign trade agency. To give full play to the initiative in various fields of industry and foreign trade, the State Council has selected a number of production enterprises for experiment in direct participation in foreign trade. These enterprises should be producing goods of fine quality and strong competitive power on the international market, and be staffed with people capable of developing foreign trade and competent in foreign languages. The Shanghai Machine Tool Plant began its direct participation in foreign trade in July 1980, and the form of its relationship with the foreign trade departments changed from that of procurement system to that of agency system. The plant can accept tasks direct from foreigners and conduct technical as well as commercial business negotiations independently. The plant is mainly responsible for discussion on transactions, preparation of goods for consignment, and settlement of exchange. The machinery and equipment import and export company is responsible for the introduction of customers, signing contracts on the plant's behalf, handling customs clearance and consignments, and depositing foreign exchange into the Bank of China on behalf of the plant. Then an agency fee of 3 percent (payable in dollars) is charged. The agency system has many advantages; such as direct contact between the customer and the plant, convenience in discussing technical requirements face to face, speedy solution of problems, listening to the customer's comments directly, prompt response to the customer's request for the improvement of products, and so forth. This will provide a strong impetus to the production enterprise in expanding its export, and will help to raise its labor productivity and to increase its competitive power. By the end of 1981, the Shanghai Machine Tool Plant had already exported 114 sets of high-precision grinders to 18 countries and regions, and earned 1.64

million dollars--more than doubling that of 1980--in foreign exchange. The volume of its transactions in foreign trade amounted to 2.25 million dollars, more than trebling that of 1980, which was only 670,000 dollars. Its average production cost for earning foreign exchange was among the best units of the same trade in the country. On the basis of fixed production costs for earning foreign exchange, this plant assumes responsibility for profits and losses and undertakes the economic responsibility of contract fulfillment. Thus it is concerned with not only the production, dispatching and delivery of goods, but also with the improvement of management and work efficiency. Since the adoption of the agency system, the Shanghai Standard Parts Company has been more prompt in answering its customers' enquiries in the form of either letters or cables. In February 1981, it received a total of 128 letters and cables, and sent out a total of 106 in the same month. The handling of cables is generally completed within 1 or 2 days, and the handling of letters requires less than 1 week. The Shanghai Machine Tool Plant has also been favorably commented by foreign merchants because of its raised work efficiency.

4. Industry-foreign trade integrated enterprises. In the past 1 or 2 years, Shanghai has broken down the original barriers between industry and foreign trade and between different areas and departments by establishing integrated foreign trade companies performing all the functions of production, supply and marketing combined. The building of the Shanghai Handkerchief Import and Export Company, the Shanghai Garments Import and Export Company, and the Shanghai Import and Export Trust Company jointly organized by the Shanghai Municipal General Import and Export Company and the Shanghai Municipal Material Supply Bureau, is now being prepared. In January 1980, an industry-foreign trade integrated enterprise, called "Shanghai Toys Company" was formed. This company is run as an enterprise, undertaking not only production and marketing, but also foreign and domestic sales. It also acts as an export agent for other toy producing enterprises in the municipality and in other provinces. In August 1981, the Shanghai Shipping Industry Company was established. The form of its organization is even better than that of the toy company, because it has the characteristics of a foreign trade trust company. It was jointly formed by the former Shanghai Municipal Ship Building Bureau and the Shanghai branch of the China Shipping Import and Export Company and performs the combined functions of industry and foreign trade, military and civilian industry, building and repairing, production and scientific research as an economic integrated entity being run in the form of an enterprise. Its organization transcends departmental and regional boundaries as well as the demarcation between military and civilian industry enterprises, since it was organized by 28 different units under the Sixth Ministry of Machine Building, the Ministry of Communications, six shipyards, one special accessory plant, and some scientific research, designing and material supply units. Under the guidance of state planning, this company organizes its production, marketing, scientific research, designing and business management in accordance with an overall plan, besides engaging in import and export. It is a foreign trade unit carrying on direct contacts with foreign merchants. Under the leadership of the company, the basic-level units also have the authority to discuss business with foreign customers through various channels and to sign contracts with them. The systems of finance and affiliations of the units under the company remain unchanged. For example, the profits to be handed over to the state, the subsidies for losses from the state,

investments in capital construction, expenses on scientific research and education, the fixed assets, the circulating funds, and so forth are all handled by the former departments in charge. According to the company's system of leadership, the general manager takes charge under the leadership of a board of directors, while the party committee play a supervisory role so as to be sure that the various functions are properly carried out. This type of experimental integrated company with the characteristics of trust represents an important step forward in the experiment to organized various special integrated companies in different trades for the purpose of combining production, supply and marketing; combining foreign and domestic trades with greater stress on the former; and combining industry and foreign trade in order to increase the channels of export and to revitalize foreign trade.

II. Problems in Reform

First, government administration is not yet separated from enterprise administration in the structure of foreign trade. The Shanghai foreign trade departments have tried to form a branch of the foreign trade bureau, which is under government administration, and call this branch a municipal import and export general company, to be run as an enterprise. In 1980, the signboard of general company was put up, but in the process of exploring the reform, it is still the same group operating under two different signboards. In other words, there is still a combination of government and enterprise administrations. Such a combination inevitably brings about certain defects. Since the same group can hardly attend to both government administration and the management of import and export, some conflicts will arise, to the detriment of foreign trade development. If the foreign trade bureau, under government administration, and the general company, run as an enterprise, can be separated from each other, each of them will be able to play its full role--the bureau to exercise its administrative power as a functional organ of the municipal people's government, and the general company to provide leadership over foreign trade throughout the municipality. They will then cooperate with and regulate each other in harmony. Since there is now no separation between government administration and enterprise management, it is difficult for them to give full play to their roles in different functions.

Secondly, no bold steps are being taken in the experiment to set up a foreign trade agency system. The procurement system was universally adopted in foreign trade. This system has many defects and is in urgent need of reform. Yet there are very few experimental enterprises in the country practising the agency system. To speed up this experiment, we should further popularize the agency system to meet the requirements of the expansion of our export trade. The majority of production enterprises concurrently engaging in the export trade are still in a passive position. Since production and demand cannot come face to face, the production enterprises can only produce whatever is procured, and have no idea of to whom their goods are sold, what are the selling prices in foreign trade, or what are the comments or requirements of customers. If the production enterprises cannot keep themselves well informed of the international market conditions, they will have difficulty in improving the quality, increasing the varieties, lowering the production costs and strengthening the competitive power of their products. Some of the products already procured by

by the enterprises cannot be sold on the market and have to be stored in the warehouses until they have to finally be written off as being unfit for use. Furthermore, since there are only a small number of state-run foreign trade companies to discuss business with foreign customers, the red tape and lack of flexibility have reduced the avenues of foreign trade and the sources of information, thus handicapping the development of foreign trade. This shows the need for the procurement system to be gradually replaced by the agency system.

Thirdly, in the absence of a unified policy in foreign trade, there is now blind competition in the country. In the past 2 years, the state experimented within the delegation of foreign trade authorities to the lower levels, and all provinces and municipalities are now able to directly participate in foreign trade. Because of the blind competition at home in the absence of a unified foreign trade policy, some products are being sold at cut-throat prices and the foreign merchants are the only ones who stand to gain. The main cause of this situation is that some provinces and municipalities do not have the concept of our overall interests, and the lack of a unified control over the prices of exported goods. The ports originally intended as channels of foreign trade is not being fully utilized and the traditional and rational way of organizing exports with the ports as foreign trade centers has been discarded. Hence the "chaos" which has existed for some time.

III. Questions To Be Studied

1. The question of unified or decentralized foreign trade administration.

Foreign trade administration should be suitably decentralized under the unified leadership of the central government. Both "over-rigid control" and "chaos" should be carefully guarded against. The orientation of delegating foreign trade authorities to the lower level is certainly correct, but the state's unified administration should not be overlooked. The delegation of such authorities not long ago created some new problems, because some provinces and municipalities were competing with one another by cutting their selling prices in an attempt to win over customers, to force their way into the market and to earn more foreign exchange, thus disturbing the normal export prices. We agree that on the basis of planned economy, it is permissible for people to compete among themselves in improving the quality, lowering the production costs and producing easily marketable goods, so that they will all have stronger competitive power on the international market. However, if the competition has to develop in the correct direction, unified leadership should be strengthened.

1) The state must control the prices of important exported goods or of large shipments. It will set the minimum selling prices for commodities of different quality and specifications, and the export companies in various localities can set their prices slightly above this level. If their prices are below this level, the customs will not permit the export of these goods. Should it be necessary to readjust certain prices on the foreign market, because of changes in the international market conditions, such readjustment must be first approved by the state.

2) There should be generally a regional division of work, so that each region can bring into play its own strong points in producing their own special products. Some enterprises in the country can be specially designated to produce certain fine-quality goods according to their strong points, while other enterprises whose products can be no match for these fine-quality goods can form integrated companies by even cutting across regional and departmental boundaries, so that their products will also gradually become famous brands, and thus help expand the export trade. The state should also adopt a system of "quality certificate for export" so as to control the quality of exported goods and to protect our national prestige.

3) The state should strengthen its unified administration of foreign trade by restricting the opening of ports. It should first select some provinces and municipalities with favorable conditions to engage in foreign trade independently and with the responsibility for profits and losses. It is not advisable to go all out at once. Foreign trade centers should be set up with the large ports as their basis for the concentration of foreign trade resources. All transactions should be handled under unified arrangements at the large ports; the flow of exported goods should be rationally organized; and a nationwide network of foreign trade centers should be established with the large ports as their bases. The import and export trade of those provinces and municipalities which have no ports of their own should be handled by their agents at the large ports. The procurement or transfer of their goods for export can be handled by trans-provincial or trans-municipal integrated companies.

2. Encouragement to industrial departments in foreign trade.

The foreign trade system after reform will mainly take the form of industry-foreign trade integration, in which the production enterprises will be included. Integrated foreign trade companies for different trades or different main products should be formed regardless of different regions, departments and forms of ownership. National trans-provincial and trans-municipal general companies can also be formed to manage their branch companies and to coordinate their foreign trade activities. Some of these general companies can be set up in Beijing, and others of a regional character can be set up in their own regions or provinces and municipalities. These integrated companies, organized for different trades and different main products are essentially trust enterprises integrated for foreign trade, and are formed according to the objective requirements of socialized mass production and according to the innate economic relations. They cut across the boundaries of departments and administrative regions and the boundary between military and civilian industries, and are not restricted by the different systems of ownership. The state exercises its control mainly through planning and various economic methods, and at the same time guides, controls and coordinates the enterprises' economic activities.

3. Conditions required for the agency system.

To increase the channels of foreign trade, the foreign trade organs should gradually set up the agency system for industrial enterprises engaging in foreign trade, provided they are in a condition for such a change. This is an important measure for enlivening foreign trade. A special feature of the agency system is

that, under the guidance of the foreign trade organs, the industrial enterprises can directly develop their foreign trade and open up various types of foreign trade channels in order to expand the export trade and to find their way into the international market.

Production enterprises engaging in foreign trade should be able to meet certain requirements: 1) Their products must be of fine quality, easily marketable, and strongly competitive on the international market. 2) They must be staffed with people able to develop foreign trade and good at foreign languages. 3) They must assume responsibility for profits and losses, and do not need any state subsidy. The production enterprises meeting these requirements can set up their agency system after approval, and under the guidance of the specialized company acting as their agent, can directly participate in foreign trade.

Giving some industrial enterprises the authority of foreign trade in a selective and systematic way is consistent with the overall interest. In the electrical machinery trade of Shanghai, the municipal standard parts company and the Shanghai Machine Tool Plant have already experimented in the agency system with fairly great success. These experiments can be expanded in future so that the agency system will be gradually popularized. However, we must note the specific conditions of different trades and different products and choose the suitable ones for the agency system. If it would be more advantageous for some departments to adopt the procurement system, then their original system should be preserved. For example, the provinces and municipalities producing tea and other agricultural products should find it more advantageous to have the procurement system, since the foreign trade companies exporting tea have to mix the products of different provinces in processing before the tea can be raised to a high grade and sold at a high price in the international market. For some time, the provinces exported their own tea independently, but could not make much money out of them. This also disturbed the rational flow of products through the foreign trade centers with their bases in large ports. Therefore, some concrete analysis is required to determine which departments should adopt the agency system. Generally, however, this system should be adopted by all units in a position to do so.

Adoption of the agency system does not mean the separation of industrial enterprises from the foreign trade organs, since it is still a system of combined management by both industry and foreign trade. Even after the adoption of the agency system, the foreign trade organs still play an important guiding role for the industrial enterprises. No matter how the foreign trade system may change, the business function of foreign trade cannot be abolished. Even an integrated company formed of industrial departments consists of some organ to perform the functions of foreign trade. A specialized foreign trade company has a great deal of work to do. In addition to its own work in foreign trade, it has to strengthen the work of representation and other services including professional guidance, reporting on the international market conditions, regulating the prices of exporting enterprises, introducing new markets and customers, signing contracts and carrying out customs clearances and consignments on behalf of others. Furthermore, it has to provide leadership in organizing or forming service enterprises for goods consignments, storage, packing, advertising,

customs clearance, consultations, and so forth in foreign trade, and to act as their agents. At the same time, the specialized foreign trade companies can also set up their offices in foreign countries so as to step up their work of investigating and studying the international market for the information of the production enterprises. Therefore, the specialized import and export companies are still the main organs in the joint development of foreign trade.

9411

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FOREIGN TRADE

PRC DEVELOPS PORTS TO COPE WITH FOREIGN TRADE

HK100149 Beijing CHINA DAILY in English 10 Sep 82 p 2

[Text] China's ports are expanding rapidly to keep abreast of the increase in international trade.

China now has 15 ports devoted to international trade, up from nine in 1975, according to an official at the Ministry of Communications.

"The growth of our ports still lags behind the growth of our international trade, so we are now making great efforts to expand old ports and build new ones," the official said.

He said China plans to double the capacity of ports to handle merchandise for import and export by the end of 1990.

The official said expansion work is now being carried out on almost all of the 15 ports. In the past 2 years, 11 new deep-water berths went into operation, bringing the country's total to more than 150. Work on another eight has also been completed. And they will go into operation soon.

By 1985, 200 deep-water berths will be operating in these ports, the official said.

He said China is also developing some specialised ports.

Qinhuangdao, for example, is being developed into a specialised port to handle energy-related products. It will handle coal exports from Kailuan and Datong coal mines and petroleum exports from the Daqing oil field.

China is now expanding the port in cooperation with Japan. Its capacity to handle coal will be nearly tripled over the coming 3 years.

Another specialised port is being built at Shijiusuo in Shandong Province. After completion in 1985, it will be able to berth 50,000-ton coal freighters. It will be devoted exclusively to handling coal from Anhui Province, one of China's major coal producing centres.

Shanghai Port

Shanghai Port, with an annual goods handling capacity of 84 million tons, is China's largest and one of the largest in Asia.

The port already has about 100 berths, and half of them are able to receive 10,000-ton freighters. It handles over 30 per cent of the country's international trade.

Each year, about 2,000 foreign freighters from more than 150 countries pass through Shanghai in addition to more than 10,000 Chinese freighters.

But Shanghai's poor location--on an alluvial plain--is impeding further expansion. According to the official, the port can only receive freighters of up to 30,000-tons dwt. Its maximum annual capacity is expected to be just 100 million tons.

Satellite ports are being built nearby, however, so that cargoes can be broken down and carried on to Shanghai in smaller vessels. Foreign freighters will also be able to sail directly into China's largest inland river--the Changjiang.

Modernization is taking place alongside expansion, the official said. Last year, the first specialized container berth was built in Tianjin, and another three such berths are currently being built there.

After completion in 1985, the port will be able to handle between 300,000 and 400,000 containers a year, he added.

CSO: 4020/170

FOREIGN TRADE

SHANGHAI PROVIDES MORE GOODS FOR EXPORT

OW031255 Beijing XINHUA in English 0703 GMT 3 Sep 82

[Text] Shanghai, Sep 3 (XINHUA)--After three years of economic readjustment, China's largest industrial city of Shanghai is able to provide more manufactured goods for export.

According to statistics provided by local authorities, Shanghai manufactured goods accounted for 80 percent of the exports in 1981 through the Shanghai port, compared with 57 percent in 1978. The percentage has continued to rise this year.

Such heavy industrial goods as machinery, electrical and metallurgical products, which were rarely exported, accounted for 13 percent of the exports.

Authorities attributed the increase in the exports of manufactured goods to the improvement in quality, packaging and the development of new products catered to the needs of the international market.

Over the past three years, the city has used 39.6 million U.S. dollars in foreign loans to fund more than 230 technical transformation projects in the textile, garment and rubber industries.

The city has also imported large amounts of raw materials to process products for export and carried out processing and assembling business and compensation trade to expand export production.

Over the past three years, the average annual products processed with foreign materials were valued at more than 900 million yuan.

Up to now, the city has signed with the United States, France, West Germany, Italy, Australia and the Hong Kong region 110 compensation trade contracts and about 2,000 processing and assembling contracts. Products range from garments, arts and crafts, electronic products, instruments and meters and textiles.

In the past, there were only a dozen export producers in the metallurgical industry. But last year there were over 30 of such producers, and more than 40 varieties of products were exported.

CS0: 4020/170

GENERAL

EMPHASIZING VALUE ENGINEERING URGED

Beijing RENMIN RIBAO in Chinese 20 Jul 82 p 5

[Article by Lu Jun [7627 6511]: "Value Engineering Should Be Emphasized"]

[Text] What is value engineering? It is a fringe science combining technology and economics. Through the analysis of the function of a product, it studies ways to reduce the cost of the product and strives to achieve its necessary function with the lowest cost. In order to improve economic benefits, more products which meet social needs are produced with as little labor consumption and material consumption as possible. I believe that on the foundation of correct leadership ideology of economic workers the promotion and application of value engineering is very necessary for industrial and mining enterprises, especially the machinery industry.

1. From the standpoint of existing conditions, the design of machinery products in our country is currently beginning to move from the stage of design by experience analogy to the stage of design through the system of experimental calculations. And what is called design is to seek a solution for a proposed task that is technologically as perfect as possible, economically very worthwhile, and that also meets aesthetic requirements. Consequently, in design work, the structure of a product must be considered from both a technologic and economic basis. At the moment, the technical cadres in the enterprises are often not very familiar or concerned with economics, and economic management cadres are often not very familiar or concerned with technology. Yet, value engineering is a fringe science that combines technology and economics. Not only must technology be studied but economics must also be studied. Not only must we avoid raising cost unnecessarily while improving quality but we must also avoid lowering quality irrationally while reducing cost. The application of value engineering will unite technology and economics and unify quality and cost and, thus, more ideally unify quality and quantity in the best plan.

2. From the standpoint of methods of design. The methods commonly used by most enterprises are the traditional ones using theoretical mechanics, mechanics of materials, design of mechanical spare parts, and mechanical theories. Because of limitations of experimental conditions and the inadequacy of experimental data, the selection of safety factors in design is

often on the high side. As a result, structures designed are not compact and the weight of products is increased, which causes the costs of production to increase. On the other hand, we are relatively unfamiliar with modern design methods, such as optimization of design, reliability design, design system engineering, computer support design, building block design, and fracture mechanics computing method, and it will not be possible for us to apply these methods generally within the near future. Under this circumstance, the wide promotion and application of value engineering may be carried out by using the common design methods; and modern design results may be achieved by better overcoming the defects resulting from excessive safety factors in traditional design methods.

3. From the standpoint of the cost formation of machinery products. Over 80 percent of the cost of a new machinery product is decided at the time of its design and experimental manufacturing. For this reason, the technical and economic analysis of a product should be carried out at the start of its design. Efforts should be made to achieve the most appropriate product function with the least cost expenditure, so that the structure, properties, technology, and selection and coordination of raw materials for the product are all established on the foundation of optimum quality and cost. This is where the key on whether or not a product can achieve its best technical and economic results lies and it has a decisive significance on the economic benefits of an enterprise. At the present, the accounting of economic results in the area of technical work happens to be a weak link in the plants. For many years, the economic accounting in plant enterprise development has mostly paid attention only to the accounting of expenditures during the shop production process. It has neglected the accounting of economic results during the technology process of technical design. The use of value engineering is precisely a good way for technical departments to carry out accounting of economic results. Only by firmly carrying out economic accounting for all steps, from product design and manufacture to sales, can we call it overall economic accounting and can we guarantee the improvement of economic benefits.

4. From the standpoint of the implicit meaning of costs developed through value engineering. The cost developed in value engineering is not the cost of production. It is the total cost or the life cycle cost. In other words, it is the total expense during the entire production process and the period that the product is used. It includes not only the expenses before the product leaves the plant but also the expenses for its storage, flow, sale, use, and maintenance. Because only when the total expense, namely the life cycle costs, are reduced can the economic results for the entire society be improved. If only the cost of production is reduced but the quality and properties of the product are poor, causing an increase in maintenance expenses, then the total expenses during the entire life cycle of the product not only may not be reduced but also may actually be increased. Value engineering studies not only the improvement of economic benefits of the enterprise but also the improvement of economic benefits for the entire society. This of course is what we need.

5. From the standpoint of the current conditions of the enterprises. Because of the interference and destruction by the "gang of four," the low economic benefit of enterprises is an important subject in front of us and it urgently requires a solution. In the area of reducing costs, many enterprises often pay relatively greater attention to tightening the outlay of cash. For a long time, they have not taken a firm enough hold on the large waste problems existing in production. Even less attention has been paid to wastes created by the stagnation of materials and funds and the lowering of efficiency. Consequently, if the narrow viewpoint of small production is not overcome and management thinking is not changed (such as the establishment of product function, value concept, time value concept of funds, optimization concept, etc), it will not be possible to have any large-scale cost reduction and improvement of economic benefits. The promotion of value engineering will help to solve this problem. It does not require much additional investment. With the development of collective intelligence resources as the foundation and scientific analysis methods as the means, large-scale improvement of economic benefits can be accomplished by the skillful use of existing manpower, materials, and funds.

5974

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TRADE OFFICE TO BE ESTABLISHED IN ANTIGUA

OW071029 Taipei CNA in English 0942 GMT 7 Sep 82

[Text] Taipei, Sep 7 (CNA)--The executive yuan said Monday the Republic of China has decided to establish a trade office in Antigua and Barbuda, an island nation in the east Caribbean sea area.

The Chinese Foreign Ministry has reportedly appointed Cheng Sung-pen, section chief in the east Asian and Pacific department, as the nation's first trade representative to the east Caribbean nation, which declares independence on November 1, 1982. Cheng is slated to go there to take the new post by the end of this month.

The executive yuan said in a written administrative report to the 70th session of the legislative yuan that one of the nation's current major diplomatic tasks is to establish relations with newly independent nations and those that are going to declare independence.

A diplomatic source told this CNA reporter that many newly independent nations in the Caribbean area and the Pacific area, and those who are going to declare their independence, have been maintaining very good relations with the ROC.

The source said those nations also desire to set up formal diplomatic relations with the ROC, adding that the purpose of the nation's opening a trade office in Antigua and Barbuda is to beef up the relations between the two countries, and then to establish diplomatic relations.

The source noted that other islands such as St. Kitts and Nevis around the Caribbean Sea area have maintained close relations with the ROC and that the nation has also sent agricultural experts there.

CSO: 4020/169

TAIWAN RECEIVES URANIUM OXIDE FUEL FROM EXXON

OW210413 Taipei CNA in English 0250 GMT 21 Sep 82

[Text] Taipei, 20 Sep (CNA)--Taiwan Power Company (TAIPOWER) recently received their first shipment of fabricated uranium oxide fuel from EXXON Nuclear Company, Inc., headquartered in Bellevue, Washington, USA.

The 120 fuel assemblies delivered have the energy equivalence of nine million barrels of oil and will be used in the Chinshan Nuclear Plant Unit 1.

This delivery is the first of fourteen scheduled to be provided by EXXON Nuclear for use in TAIPOWER's four operating nuclear units at the Chinshan and Kuosheng plants.

EXXON Nuclear and TAIPOWER have contractual agreements dating back to 1973 when EXXON Nuclear agreed to supply uranium for Taiwan's first nuclear power plant then under construction.

Since 1973, TAIPOWER has signed agreements with EXXON Nuclear for fuel fabrication services and powerplex (TM) systems. Powerplex system is a computer software system developed by EXXON Nuclear which in conjunction with sensors and computer facilities at an operating reactor provides information on both present and projected status of the reactor core.

EXXON Nuclear Company, Inc., is an international supplier of high performance fuel for use in commercial power reactors. EXXON Nuclear also provides fuel management services, plant system licensing, fuel inspection and repair services and on-line monitoring software.

CSO: 4010/16

BRIEFS

URANIUM EXTRACTED FROM PHOSPHORIC ACID--Taipei, 20 Sep (CNA)--The China phosphate industries corp has succeeded in extracting 10 tons of natural uranium from phosphoric acid, a company spokesman reported. The nuclear energy laboratory of the Atomic Energy Council provided the knowhow. The method developed by Chinese scientists can extract 1 ppm from phosphoric acid. Natural uranium thus extracted is used for research purposes. There are a number of techniques for extracting natural uranium, developed in Japan, France and the United States. The Republic of China has succeeded in developing part of the technology needed, and is trying to import the rest. [Text] [OW201435 Taipei CNA in English 1334 GMT 20 Sep 82]

CSO: 4010/16

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